App. F. IX-4

1937-8
(C.S)

File No. 107-37
Serial Nos. 1-6

Previous References
b/f 51-35 (3-4)
" 108-33 (1-13)
" 24-32 (1-3 & 12)
Letter References
b/f 18-39 (1-2)
" 30-39 (1)
" 66-39 (3, 5, 8, 9)

PRESERVED

p59 (E)

GENERAL AND REVENUE SECRETARIAT.

Serial Nos. Nil

Part B for August 38

SUBJECT.

Report of inspection of the Bangalore Central Cooperative Bank Ltd by the Registrar of Cooperative societies

D 596 R, 22.7.38.
Ins Rep — C.J

WD 0295—GPB—22,500—13-8-37

Paper orders on the

G. R. S. APP. F. III—1]

(1

GENERAL AND REVENUE SECRETARIAT. 6772

(b.s.)

NOTES.

File No. 107-37

FILE HEADING

Report of inspection of the Bangalore Central Cooperative Bank Ltd. by the Registrar of Cooperative Societies

FROM

The Registrar of Cooperative Societies in Mysore

No. 10206 Dated 30/5/38 Received 31/5/38

Diary No. 6772 | Enclos. One Spare copies | Serial No. 1

BRIEF ABSTRACT OF LETTER

Forwards the note of inspection of the Bangalore Central Cooperative Bank held by him on 25th and 26th May 38 and begs the framing of a rule prohibiting the treating of accrued interest as profits except with the sanction of the Regr.

NOTES AND ORDERS.

b.s. 24-32

b.s. 108-33

b.s. 51-35

1) The files relating to the inspection of the Bank in the years 1932, 1933 and 1935 are placed below for perusal with relevant references flagged. There seem to have been some irregularities, and the applications for loans do not seem to have been properly scrutinised and investigated. The more important irregularity is the treating of accrued interest as profits and declaring dividends on that basis. The

NOTES—First Sheet

WD 0283—GPB—3,750—25-1-38

Report of inspection of the Bangalore Central Cooperative Bank

6772

6) File No. 107 of 1937. | General and Revenue Secretariat

Registrar suggests the framing of a rule prohibiting such practice and permits further communication. The inspection report is sent for perusal and orders

1/6/38

1CS/1/6.

2) Secy (C&S)

3) The audit reports of the last three years may be called for. Steps may be taken to place before the General Body! It is also necessary that the reports of four years should be placed before the General Body as in the case of Audit reports? Apart, this, there are certain irregularities in the management may be brought to the notice of members.

2638

1CS/2/6

4) Draft sent.

8/6

5) Issued

1CS/8/6

No. D 9329 dt 16.6.1938 to the Registrar C.S. 2

Calls for the audit reports for the last 3 yrs and enquires if they have been placed before the Genl. body, etc

6) For perusal before issuing further orders

2538

1CS/25/6

7) 11 members)

GOVT. OF INDIA

TYPING SECTION
1 JUL
GEN. & REV. SECTT.

SECOND MEETING
25 JUNE 1938
No. 4829

DEVELOPMENT BRANCH

Report of Inspection of the Central Cooperative Bank Ltd
677

General and Revenue Secretariat | Ld File No. 167 of 1937. | [App. F. III–2

Serial No.

8) Seen.

9) Have no orders been passed on the recommendation of the Committee of Co-operation regarding the exclusion of accrued but unrealised interest from the calculation of profits (Pt III (12) of the Report) ?

NLL
27/6/38

Gm
28.6.38
PS
28/6

It is submitted that in the draft order put up on Chapter VI of the Report of the Committee on Cooperation the Registrar of Co-operative Societies is to be required to take necessary action in accordance with the rules, the rules being amended if necessary. The file containing the draft order is submitted separately.

Sdn 4/7/38

4/7/38

Secy. (L.S.G.)

Gm
4.7.38

Letter No 11366 dated the 30th June 38 from the Registrar Co-operative Societies and

NOTE—Contn. Sheet.

677 - 56

bs File No. 107 of 1937. | General and Revenue Secretariat

Serial No.

reports of the Banks and suggesting the commencement of Rule 13 of the Rules.

A draft letter Calling for Copies of bye laws of the Banks for reference is submitted

Issue 11/5/37

D 119 dy 7-7-1938 To the Registrar C.S. 4

Calls for five Copies of the bye laws of the Bank brought up to date

Letter No 363 Dated 9-7-38 from the Registrar of Cos. forwarding copies of bye laws.

It is submitted that bye law No 28 provides for the Consideration of the Note of Inspection by the Registrar, at the annual general meeting. and that the auditor's report is to be placed on the table one week before the date fixed for the general meeting. The Registrar reports that the audit reports which are placed on the table are simply read at the meeting. They are not printed along with the annual report + balance sheet. Besides whereas other banks do so. From the report of the Registrar it is seen that the Bank has not been furnishing the Registrar Note of inspection He therefore considers that the audit reports with the replies of the directors and the extracts of the Note of inspection which the

TYPING SECTION
GEN. & REV. SECTT.
GEN. & REVENUE SECRETARIAT
DEVELOPMENT BRANCH.

Report of inspection of the B'lore Central Cor

Branch Ldr

6772 5 6 5 194

General and Revenue Secretariat

Gf File No. 107 of 193). [App. F. III–2

Serial No.

inspecting officer may direct for inclusion should be printed along with the annual report. He supports the amendment of Rule 13 providing for the Compulsory publication of the audit report and the Note of inspection. Submitted for orders

13/7/38

This may be done. The effect will be salutary.

13-7.

Secy (A & G.)

14.7.38

(Member)

14/7

16/7/38

16.7.38

16/7

Draft G.O is submitted for orders

18/7/38

16.7

Secy (A & G.)

G.O. No D 596 dated 22/7/38 passing 20/7/38
orders on the points raised in the report and
calling for amendments

20/7

18 JUL

NOTE—Comm. Sheet.

27/7/38

C.S 107-37-1.

GOVERNMENT OF MYSORE.

No. 10206 C. S. Ear/. (1)

DEPARTMENT OF CO-OPERATION.

OFFICE OF THE REGISTRAR OF CO-OPERATIVE SOCIETIES IN MYSORE.

Telegraphic Address: "CO-OPERT" Bangalore

Dated Bangalore, 30/5 May 1938.

SECY. LOCAL SELF GOVT C. M. FROM GC 31 MAY 1938

M. ABDUL HUKH, Esq., B.A.,
Registrar of Co-operative Societies in Mysore,
BANGALORE.

SECRETARIAT

To
31/5

P.H.Krishna Rao,Esq.,M.A.,
Secretary to the Government of Mysore,
Local Self-Government Department,Bangalore.

Sir,

I have the honour to forward,herewith, for the information of Government a copy of the Notes of Inspection of the Bangalore - Central Co-operative Bank,Ltd., Bangalore, held by me on the 25th and 26th May 1938.

I find that owing to the very wide jurisdiction given to the Bank and its consequent inability to exercise a close supervision over the affairs of its debtors outside Bangalore City and the - absence of competent Valuators on the Staff of the Bank, many of it moffusil loans, granted generally on the security of agricultural lands, have almost become bad debts involving heavy loss to the Ban Added to this, the practice of taking unrealised accrued interest as profits year after year even in ~~the~~ cases where the recovery of a portion of the principal is doubtful and of declaring dividends on the basis of such imaginary profits has resulted actually in the depletion of the capital of the Bank to the extent of nearly three lakhs of rupees. Unless the Bank puts a stop to this practice, its very existence will be endangered. As it has been found that the advice offered in this respect by the Department has fallen on deaf ears and neither the Directors nor the General Body seem to pay any heed to it, Iam of opinion that a Rule should be framed under the Act prohibiting the treating of accrued interest as profits except with the special sanction of the Registrar. I shall submit my proposals in this respect in due course for the consideration of

P.T.O.

of Government.

I have the honour to be,
Sir,
Your most obedient servant,

Registrar.

L.S.30/5.

Notes of Inspection of the Bangalore Central Co-operative Bank,Ltd., Bangalore, held by the Registrar of Co-operative Societies in Mysore, on 25th and 26th May 1938.

+====*****====+

The Bangalore Central Co-operative Bank,Ltd., was registered on 17th December 1906 as No.39. Certified copies of the original byelaws of the Bank and the certificate of registration have been obtained. The byelaws as they stand at present have been approved by the Registrar on 19th March 1935, 31st October 1935 and 23rd Feby. 1937. Subsidiary rules have been framed under the general powers vested in the Board of Management and are in operation.

The area of operations of the Bank extends to the whole of the Mysore State with the restriction that the Bank shall not issue loans of a smaller amount than Rs.2,000/- to members residing outside Bangalore City.

Membership:- Under the byelaws of the Bank, persons residing or carrying on business or owning immovable properties in any part of the State are eligible for membership. The jurisdiction is very wide and militates against the co-operative character of the Institution. It has ceased to be a Central Bank in the real sense of the term and its present relationship with member societies is confined to recovering the amounts outstanding against them. Early action may be taken to remove the societies from membership and to have their loans transferred to the Apex Bank on the basis of a valuation of the assets made by a Sub-Committee of a representative character. The Bank may submit its proposals in this respect to the Registrar for further action being taken in the matter. The Bank has been admitting a large number of individuals every year as indicated below:-

Year.	No.of individuals admitted to membership.	No.of persons who ceased to be members.	No.of individual members at the end of the year.
1935-36 ..	106	65	965
1936-37 ..	188	38	1,117
1937-38(up to the end of April 1938).	108	23	1,202

Deceased

Deceased Members:- At the time of the last inspection, 17 persons were stated to have been deceased. 15 of them have since been removed from membership and their share amounts adjusted as per rules. Two out of these 17 deceased persons are still continued as members viz., Sri Seshamma and Sri Sharadamma. This is irregular as a persons ceases to be a member on death as per byelaw No.10(5), though the shares held by him may be continued till the inquiry re: nominees, legal heirs etc., contemplated in the byelaws is completed and action taken to transfer the shares or to pay the value thereof to such nominee or legal heirs. The preliminary enquiry, in cases in which nomination has not been made, contemplated by Section 22 of the Act should be conducted by the Board after writing to the parties concerned and securing their presence and then the transfer or payment to legal representatives decided. It is stated that seven more members have since died but their names are still continued. The third para of byelaw No.15 necessitates the transfer of the share amounts (over and above the dues) to suspense account in the case of deceased members whose legal heirs do not come forward to claim the amount within three months of the decease of the member. If this is adhered to strictly, it is likely to work as a hardship, in-as-much-as it necessitates the payment of premium etc., afresh if the legal heir desires admission and the Board is prepared to transfer the shares to his name. This byelaw however has not been followed in the cases referred to above. The question of amending this byelaw suitably so that the practice may be in conformity with it may be considered.

Register of Members:- As instructed at the time of the last inspection of the Bank, a combined Register of Members and shares has been opened with effect from 1st July 1936, but the entries in the said register relate only to admissions from that date and of others whose accounts are brought forward from the old share ledgers. To secure uniformity, it is desirable that the entries in the new registers may be effected in respect of all the existing

existing members at least with effect from 1-7-1938, when the books have to be closed and new folios opened or accounts brought down or carried forward. For this a temporary hand, if need be, may be entertained. A perusal of the old register of members and the new combined register shows that signatures of the members have not been taken in the majority of cases and the names of nominees not entered. It is also observed that in many cases the entires are incomplete e.g., L.F.63, 85, 86, 113, 114, 176 (age, caste, date of sanction, date of admission etc., not mentioned). Entrance fee is recovered in all cases. Under byelaw No.5, applications for membership should be accompanied by Rs.2/- and the premium of Rs.15 per share and the first call of Rs.25 should be paid within one month from the date of intimation of the sanction of the application and on failure of such payment, the sanction lapses. In such cases, on payment of a further fee of Rs.2/-, the sanctions are renewed by the Board (e.g., 89, 90, 93). Re: admissions, it is seen that every application for membership is invariably sanctioned by the Board. As it has been found that it is not possible for the Bank to obtain the signatures of the members in the Register itself and in view of the importance of the applications themselves, containing as they do the names of nominees,etc., under the signature of the member, it is desirable to number the applications serially and preserve them in book form each year's applications being bound separately.

Share Capital:- The authorised share capital of the Bank is Rs.6,50,000 made up of 2,600 shares of Rs.250/- each. Of these 1,835 shares had been subscribed for as on 1-5-1938, the number of shares held by member societies being only 33. 1,056 shares have been fully paid up. In the other cases, amounts of Rs.25 (which has to be paid under the byelaws on admission)and more per share have been paid. Under the byelaws of the Bank, the Board of Management have the discretion to call up the remaining share amount in such calls as they may deem fit. In their meeting held on 8-3-1934, the Board had decided to call up the unpaid share

share amounts to the extent of Rs.125 per share. But in view of the fact that there was no need to make the calls, the Board in their meeting held on 16th March 1936, decided not to make any calls over and above the sum of Rs.25 payable on sanction of the share. The paid up share capital on 1-5-1938 amounted to -- Rs.3,28,096-12-7. Out of 1,202 individual members, 135 hold four shares each and the following nine members hold more than four shares each, the holding of more than four shares having been sanctioned by Government in each case.

	No.of shares.	Paid up amount. Rs.
1.Mrs.Kamalamma Subba Rao	8	2,000
2. " C.Seshamma(deceased)	8	2,000
3. Mr.A.Tandoni Rao	8	2,000
4. Mrs.Tulsamma	8	2,000
5. " Karpur Venku Bai	8	2,000
6. " Gnambal Balasundaram Iyer	8	2,000
7. Mr.C.S.Kuppaswamy Iyengar	5	1,250
8. " G.Manjunathayya	5	1,250
9. Mrs.Timmamma	8	2,000

The Society-Members whose number at present is 33 hold one share each and they are all partly paid up.

Dividends:- The Bank was declaring dividends at 7½ per cent from the year 1930-31, prior to which year it was declaring at 10 per cent. From 1934-35 however, the rate has been reduced to 6½ per cent. Year-war and Kulwar details of dividends outstanding payment are maintained, the balance outstanding payment on 1-5-1938 being Rs.2,016-1-0.

Deposits:- The Bank attracts funds by means of deposits (current, savings Bank and fixed) and also by the issue of Provident Fund Bonds to members, subject to the restrictions imposed by byelaw No.17.

Current deposits:- Interest is allowed at Rs.1-9-0 per cent per annum from 1-1-1938 on current deposits. According to the Rules of Business of the Bank, current accounts may be opened with an initial deposit of Rs.10/-. Any amount may be kept as current

current deposit. Operations on current deposit accounts are by cheques but if the depositor attends in person, withdrawals may be permitted on vouchers. Interest is allowed only on the minimum credit balance between the 4th and last day of the month subject to the condition that such balance is not less than Rs.200/- and subject further to the condition that the interest payable for one official year does not fall short of Re.one in the aggregate. The amount held in current deposit on 1-5-1938 was Rs.1,32,218-11-10.

Savings Bank Deposits:- These deposits are in force from January 1938. Interest at 2 per cent on the monthly minimum balances between the 4th and last day of the month on such deposits is allowed, but no interest is allowed on sums in excess of Rs.2,000 in any account. These accounts will have to be operated upon by means of special withdrawal forms. The amount held by the Bank as on 1-5-1938 in respect of these deposits was - - Rs.12,045-4-2 the number of accounts being 26.

Fixed Deposits:- The Bank's major portion of the working capital consists of fixed deposits onwhich varying rates of interest are being paid. The Bank was paying very high rates of interest (up to 7½ per cent) on the fixed deposits but from 1-1-38 the rates have been substantially reduced the maximum rate at present being 4 per cent for deposits of ten years and over, but the old committments are still there and it will take a long time for the Bank to get rid of these high-rated deposits. The amount of fixed deposits held on 1-5-1938 was Rs.15,08,631-12-2 of which deposits carrying interest at 5 per cent and over aggregates to Rs.7,35,302-5-0. It is seen that loans to the extent of - Rs.81,908-15-0, granted on the security of deposits, were outstanding on 1-5-1938 but they were not overdue. Members who have borrowed on the security of immoveable properties and are defaulters hold no deposits. If they had deposits carrying high rates of interest, the Bank could have exercised its inherent -

inherent power of adjusting such deposits to the overdue loan accounts. This may be kept in view by the Bank and the avenues of getting rid of the high rated deposits explored. A statement showing the deposits held according to the rates of interest payable on them is given below:-

Rate of interest.	Amount. Rs.
2½ %	22,039 4 0
2¾ %	23,117 0 0
3 %	14,352 12 0
3¼ %	1,48,204 0 0
3½ %	1,28,281 14 10
3¾ %	66,291 2 0
4 %	2,29,452 15 6
4¼ %	13,236 6 0
4½ %	1,28,354 0 10
5 %	60,108 0 0
5¼ %	58,886 3 0
5½ %	9,000 0 0
5¾ %	22,725 0 0
6 %	1,44,443 0 0
6¼ %	92,460 0 0
6½ %	55,383 8 0
6¾ %	14,487 0 0
7 %	1,83,436 9 0
7¼ %	94,373 1 0
7½ %	...
Grand total	15,08,631 12 2

Provident Fund Deposits:- These are in the nature of recurring deposits. Three kinds of these deposits are in vogue viz. 3 years, 5 years and 7 years. For every sum of Rs.36-8-0, Rs.60 and Rs.84 paid in 36, 60 and 84 months, the Bank pays at the end of the stipulated period, Rs.40, Rs.70 and Rs.106 respectively. The rules permit of such deposits being subscribed for by only members and the maximum number of certificates that a member can take up is 50. But in practice the Bank does not give more than ten to twenty certificates per member. The number of certificates in force on 1-5-38 classified according to the periodsis noted below, the number of subscribers being 171:-

	No. of bonds.	Amount of subscriptions paid.
3 years	86	1,513 8 0
5 years	649	22,095 7 6
7 years	1,794	68,488 4 1
Total	2,529	92,097 3 7

For

For the benefit of the employees of the Bank, Staff Provident Fund is in force and the rules relating thereto have been included in the byelaws of the Bank as Schedule II. Under Rule 15 of the said rules, every member of the fund has to execute " a declaration in the accompanying form" before a Magistrate, but the form is not given in the byelaws. This omission should be supplied early so as to make the rules complete. The employees are required to subscribe at 0-1-0 per rupee of their pay and the Bank contributes an equal sum at the end of the year. Interest on these deposits is allowed at 6½ per cent per annum. Out of the 17 employees of the Bank, 11 are subscribers to this fund, the aggregate amount held under this kind of deposit being Rs.3,715-4-2 on 1-5-1938. The remaining members of the Staff may also be requested to subscribe to the fund as the accumulated amount will be a guarantee for the honesty and satisfactory work of the official concerned and this will be of advantage both to the employers and the employee.

Reserve Fund:- The reserve fund proper of the Bank amounts to Rs.2,34,367-6-5. It is seen that the Bank has written off from the reserve fund sums noted hereunder without obtaining the specific sanction of the Registrar as required by Rule 17(a) of the Rules under the Mysore Co-operative Societies' Act:-

1934-35	..	Rs.979 13 7
1935-36	..	530 14 0
1936-37	..	53 7 0

This is highly irregular and the provisions of the Act and Rules should be adhered to in future. Ratification of the action taken may be sought for now. It was stated that the amounts were - written off in some cases on the recommendations of the Registrar but it has to be pointed out that his recommendations do not - amount to sanctions under the Act as contemplated by Rule 17(a).

Investments and Resources:- The following represent the Bank's investments as on 1st May 1938:-

1.	Mysore Government 6¼ p.c. loan bonds	20,000	0	0
2.	do. 5½% do. (sent to Comptroller for conversion.	20,000	0	0
3.	do. 4 do.	1,01,100	0	0
4.	Central Land Mortgage Bank debentures 5%	5,000	0	0
5.	Mysore Government S.B.Fixed deposits 2½% (of which Rs.1,00,000 sent to Comptroller for conversion)	2,00,000	0	0
6.	Hundred Bangalore Bank shares(face value 1000)	900	0	0
7.	Fifty Mysore Bank shares	5,000	0	0
8.	20 B.C.L.Ry.Shares(fave value 500)	200	0	0
9.	Fixed deposit in Bangalore City Co-operative Housing society at 4½ p.c.	25,000	0	0
10.	Season deposit in Indian Bank 3 p.c.	50,000	0	0
11.	Fixed deposits in Mysore Bank 2½ p.c. (of which F.D.of 1,50000 given as cover for overdraft of 1½ lakhs obtained in the Bank of Mysore at 2¾ p.c.)	2,25,000	0	0
	Total	6,52,200	0	0

The Bank has an overdraft arrangement with the Bank of Mysore on the security of its fixed deposits in that Bank to the extent of 1½ lakhs the overdrawal as on 1-5-1938 being Rs.99,486-15-1. The cash on hand and in Banks amounted to Rs.35,413-4-3 on 1-5-1938.

As the market prices of the Bangalore Bank shares has gone down considerably, the value shown in the Balance Sheet should be reduced, the general rule in all such cases being that the securities should be valued at their purchase price or market price whichever is less. The investment of the funds of the Bank in Bangalore Bank shares is opposed to Section 32 of the Mysore Co-operative Societies Act and it is not understood how it was done unauthorisedly. It is seen that the Board, at their meeting held on 30-11-1924, resolved that the said 100 Bangalore Bank shares which had been pledged to the Bank by the late Mr.T.Lakshminarasimha Rao, be sold and the proceeds credited to his loan account. Instead of carrying out the directions of the Board the then Secretary purchased the shares to the Bank itself for Rs.900/- and adjusted the loan account on 30-6-1925. The person responsible for this unauthorised and irregular investment will have

have to make good the amount to the Bank, if the full amount is not realised.

The position of the Bank in respect of investments and resourcess is to be considered as quite satisfactory.

. Applications for loans and their investigation:- The Bank grants loans on the security of shares, deposits, insurance policies, Government securities, Silver and Gold and immovable properties. Special Rules have been framed for the grant of loans on the security of gold and silver and on the security of immoveable properties for the purchase or construction of houses. The rates of interest on loans are as follows:-

	Bangalore City.	Moffusil.	Purchase or construction of houses
On the security of immoveable properties	6%	9%	7%
On the security of the members assets in the Bank (share, provident fund etc.)	6%		
On the security of gold and silver.	6%		

In the case of loans on immovable properties, a rebate of half per cent is allowed if punctual payments are made.

The applicants for loans on the security of immovable properties should, in addition to furnishing the required information, title-deeds etc., pay investigation fees at the following rates, before the investigation is taken up:-

District where the property is situated.	Rate of investigation fees to be paid.
Bangalore City and Extensions	0 4 0 p.c.
Bangalore District ..	0 8 0 "
Kolar District	0 9 0 "
Tumkur District	0 10 0 "
Mysore District	0 12 0 "
Hassan District	0 14 0 "
Shimoga, Kadur and Chitaldrug Districts	1 0 0 "

Mode

Mode of Investigation:- All the information required is obtained from the applicant and the title of the applicant to the property got verified by reference to the legal Advisor of the Bank. If the legal opinion re: title etc., is satisfactory, the file is submitted to the President for orders re: the Director to be deputed for valuation.. Formerly (i.e., since 1934) the loan investigation and inspection work was distributed among the- - Directors, each Director, including the President, being responsible for the investigation of applications coming from the Districts allotted to him. Though this territorial distribution has been given up, yet investigation by Directors is being still continued. The Director is accompanied by a clerk or Inspector who is instructed to look into the Taluk Office and Sub-Registrar's Office references. The Director inspects and values the properties from local enquiries. Thus there is double cost on account of Travelling Allowance to the Staff and to Honorary - Directors of the Bank. It has been pointed out by my predecessor in his Notes of Inspection of the Bank held in February 1936 that valuation by Directors is not a satisfactory arrangement, and that it is better to entrust it to the paid staff of the Bank. I think the Directors may take up the valuation in exceptional cases as a super-valuation. This will reduce the cost of investigation also. The general body have also expressed their disapproval to the present arrangement, and I concur with their view.

The statistics relating to applications for loans on the security of immovable properties during the years 1936-37 and 1937-38 up-to-date are given below:-

No.pending on 30-6-36.	No.received during 1936-37.	No.disposed of or sanctioned.	Rejected.	
17	89	53	31	
Pend on 30-6-37	1937-38			
22	62	40	20	24

Pending on 1-5-38

A scrutiny of the loan application files revealed some interesting points:-

(1) One

(1) One Mr.Krishnamurthi of Bhadravathi applied for a loan of Rs.3,000. He paid the investigation fee at the prescribed rate on 3-2-1938. Investigation was taken up by a Director Mr.K.Devanathachar on 29-3-1938. After investigation, the party applied for an enhanced loan of Rs.5,000/- in place of the original loan of Rs.3,000/-. Another interesting point in this particular case is that 12 acres and 15 guntas of wet land were purchased in Land Revenue Sales in October 1932 for Rs.55/-. Out of these 12 and odd acres, 5 acres were purchased by the applicant for Rs.50/- in March 1933. The Director has valued these lands at Rs.100 per acre in 1938 though there have been no improvements to them as can be gathered from the records. In the grant of loans on such a valuation based on no definite data, such as could be gathered from references to the Sub-Registry office references, and enhancement of the loan amount after investigation, the Directors have to exercise special care and caution.

(2) One Mrs.Thayarammal (wife of Mr.ArunachalaMudaliar)applied for a loan of Rs.3,000 on the security of a house at Shankarpur, Bangalore City, sold to her by her husband in 1931. In 1934 the husband had executed a mortgage deed in favour of one Captain Y.V.Ayya for Rs.1,500/-. When the application came up before the Legal Committee, Mr.T.Appu Rao strongly felt that the title of the applicant, Mrs.Thayarammal, to the property is slippery and it is not desirable that the loan should be sanctioned. On the recommendation of Messrs.Bhasyam and Devanathachar and in spite a subsequent adverse opinion by Mr.Appu Rao, the loan was granted in December 1937. The records show that Mr.Ayya had threatened the party with prosecution for cheating and this made the parties to approach the Bank for the accommodation. In the grant of - loans to applicants, the factors to be considered are, besides security and repaying capacity, the antecedents and character of the applicants. It is the essence of co-operation that honesty and character of the member should count most and not merely security

security and wealth. As the loan has however been granted, punctuality in repayment may be insisted upon and if the party defaults immediate action may be taken for the recovery of the loan. The grant of loans on such ~~properties~~ securities where the title appears to be defective and where the past conduct of the parties is suspicious is highly irregular.

(3) An application for a loan of Rs.14,000 from Messrs. Thimmaraya Gowda and M.R.Sivappa of Mavinakere village, Arsikere Taluk, was received in the Bank on 29th November 1934 and this was investigated by Mr.K.Devanathachar, Director. According to him, the value of the properties offered as securities ~~fro~~ for the loan was Rs.19,000 as against Rs.40,000 mentioned by the applicants. On the strength of this valuation, a loan of Rs.8,000 was sanctioned by the Board and was issued on 7th February 1935. Not a pie has been recovered since the issue of the loan in spite of registered notices which clearly indicates that the investigation has been defective and the repaying capacity of the parties has not been properly judged by the investigating Director. It is doubtful if the Bank would be able to realise the full amount due to it. Even the land revenue has not been paid by the party in time and the Bank had notices and the same has been paid by the parties after the issue of notices by the Bank in this respect.

(4) A loan of Rs.5,000 was applied for by one Mr.S.Krishna Rao, Pleader,Hunsur. The application was investigated by Mr.B. Narayanaswami Iyengar and the properties were valued at Rs.6,300/- A loan of Rs.2,000 was sanctioned by the Board and it was issued between 10-12-1934 and 11-1-1935. The valuation appears to be totally defective. For lands which have been lying fallow all along and which were just coming up under irrigation under a tank which was under restoration, and which are situated in Malnad,the value put is very high. The party has not paid anything except the interest deducted at the time of issue of the loan. So soon

soon as July 1935, the Bank also had to pay a sum of Rs.63-7-9 towards the land revenue due on the land. A suit has been filed in this case in March 1937 in the Civil Court. This shows that the repaying capacity of the party had not been considered at all by the Investigating Director.

(5) One Mr.B.S.Amir Ahmed of Shimoga applied for a loan of Rs.25,000/- in April 1934 on the security of his properties which were estimated by him at about two lakhs of rupees. The investigation was conducted by Mr.N.Rama Rao. The properties offered as security for the loan were estimated at Rs.63,250 and a loan of Rs.20,000 was sanctioned in June 1934. The loan was issued in July 1934. He made some payments but since March 1935 no payments have been made. The principal outstanding against the party is Rs.18,333-5-4 excluding a sum of Rs.512-8-0 spent for court fee stamps for filing the dispute in the Registrar's Office. This is also another case which shows that the repaying capacity and the antecedents of the party have not been scrutinised at the time of the issue of the loan.

(6) One Mr.Shivalinge Gowda of Kadodu, Sagar Taluk applied for a loan of Rs.16,000 in July 1929 on the security of his properties in Sagar Taluk. The then Secretary (Mr.K.Srikantaiya) who investigated this application in October 1929 has estimated the properties at Rs.30,000. The properties mortgaged were 3½ acres of areca garden, 343 acres of wet land and 155 acres of dry land. A loan of Rs.16,000 was sanctioned by the Board in October 1929. On 15-2-30 a loan of Rs.16,500 has been issued. The file of records does not contain any application from the party or any other record to show that the excess of Rs.500 over and above the sanctioned loan was applied for by the party or sanctioned by the Board. The party has become a hopeless defaulter with the result that the Bank had to file a suit in the District Court and obtain a compromise decree. According to the terms of the compro-

mise

compromise, the decree is for Rs.24,143-12-6 calculated up to 17th February 1937 with further interest at 6 per cent subject to the condition that in addition to the interest a sum of Rs.500 towards principal should be paid every year before the 17th February - commencing from 1938. A sum of Rs.500 has been recovered from the party on 14-2-38 and nothing else. In a letter addressed to the Bank he requested that he may be permitted to sell the properties by bits. This was referred to Mr.K.Devanathachar for investigation and he has recommended that the Bank may permit the party to sell away the 3½ acres of areca garden which forms the most valuable part of the security and 50 acres of wet land for -- Rs.3,500 and he is of opinion that "if this offer is missed there is not even a ghost of chance to get any material reduction in the huge amount thrown in the Forest Area". The areca gardens were valued at Rs.1,000 per acre and the wet lands at Rs.100/- per acre in 1929 by the then Secretary. Now after the lapse of 8 years the same lands are proposed to be sold away at 300 rupees per acre in the case of the areca garden and Rs.50 per acre in the case of the wet lands. The recommendations of the Director have been accepted by the Board and they have resolved that the lands may be released on the receipt of the sum of Rs.3,500. This is again a case of poor repaying capacity and inefficient investigation. The Bank is sure to lose a heavy sum in this case, and it might beoome necessary for the Bank to consider the action to be taken against the person or persons responsible for the sanction of this heavy loan and for the unauthorised issue of Rs.500 over and above the sanctioned amount.

(7) Mr.Hanumantharayappa of Sompur village in Kortagere Taluk applied for a loan of Rs.10,000 in February 1934. The application was investigated by Mr.K.Devanathachar, Director, and he recommended the issue of a loan of Rs.7,500. Mr.Devanathachar had also suggested that the ~~xxxxxx~~ surety of Mr.H.P.Narayana Rao,

Head

Head-Master, Madhugiri High School, may be taken. But the Board of course, sanctioned a loan of Rs.5,000 only dropping the personal surety suggested. But a sum of Rs.4,500 only was issued in August 1934. As the party defaulted,a dispute was filed in the Registrar's office for Rs.5,682-6-6 and the same was decreed for Rs.6,027-3-2 with further interest at nine per cent from 7th December 1937. It is understood that these properties were purchased by the Bank in the decree execution sale for Rs.3,555/- on 17th May 1938. Here also the repaying capacity of the applicant does not seem to have been properly enquired into at the time of granting the loan.

(8) One Mr.A.Srikanta Sharma applied for a loan of -- Rs.12,000 on 4-8-1930, the securities offered being his lands in Guduganahalli village, Yedatore Taluk valued at Rs.6,250/- house in A.Ramanna's street valued at Rs.4,000 and lands in Mirle village valued at Rs.13,600/-. The loan was issued on 21-2-1931. The application was investigated by Mr.P.Raja Rao the then Inspector of the Bank. Though he had specifically mentioned in the report that he had not seen the lands in Guduganahalli and valued them at Rs.6,250 on the basis of his past knowledge, the loan was issued. Now it has transpired that the Guduganahalli lands had been resumed to Government in 1929 for non-payment of land revenue and the party had absolutely no right over the said lands. The Bank paid in 1936 the accumulated land revenue arrears amounting to Rs.2,151-10-3 and got the lands transferred to its name. The party has defaulted and the Bank has obtained a decree for Rs.17,662-6-8 with interest at 6 per cent from 19-2-1936. In this case, besides not considering the character, antecedents and repaying capacity of the applicant, the Bank has not even cared to find out if the lands mortgaged to it belonged to the applicant at the timeof the grant of the loan. The Bank is likely to lose a fairly heavy amount in this case and the question of enforcing the responsi-

bility

responsibility of the persons for the issue of this loan will have to be considered by it.

(9) One Mr.Seetharamiah of Hiriyur applied for a loan of Rs.6,000 in 1928. The application was investigated by Mr.K. Srikantiah the then Secretary and he valued the properties, 80 acres of wet lands, at Rs.10,000/-. A loan of Rs.5,000/- was sanctioned by the Board on 7-10-1928. The party applied for the enhancement of the loan and the Secretary recommended the enhancement to Rs.6,000/- stating that he has taken as security, an additional 50 acres of land and the President sanctioned the enhancement and a loan of Rs.6,000 was issued on 14-11-1928. The party defaulted, suit was filed and a decree was obtained for Rs.9,123-7-0 with interest at 6 per cent from 30-4-1933. Some of the mortgaged properties have been purchased by the Bank in land revenue sales and others in the civil court decree execution sale. Nothing has been recovered and the lands are not ~~easily~~ saleable for any price. This case again shows the futility of investigation and valuation by officers with no experience in the work.

A scrutiny of a number of records relating to the applications for loans, some of which have been referred to above, has revealed that the investigation work has not been conducted in a businesslike manner; valuation of agricultural lands has been mostly conducted by persons with absolutely no qualification or training for such work; Sub-registry office records have not been ~~verified~~ looked into to find out the average sale values of lands in the locality, the basic principles of land valuation such as proximity to the village, irrigation facilities, availability of of agricultural labour, nature of soil, density of population, means of communication with and facilities of transport to trade centres etc., have been ignored; the repaying capacity, sources of income, character and antecedents mode of living, business

business integrity, these and other essential factors which go to throw a flood of light on the creditworthiness of the applicant have not been considered. It is no wonder that with such inherent defects in the method of investigations of the applications for loans and the grant of heavy loans on inadequate and doubtful securities, the overdues of the Bank are mounting up and assuming unmanageable proportions and the amount of accrued interest treated as profits is increasing year by year by leaps and bounds. It will be in the best interests of the Bank, if the loan investigation work is not entrusted hereafter to Mr.K. Devanathachar, whose work in this respect has been totally - defective. It is feared that in the majority of the cases investigated by him the Bank is likely to lose heavily. While on this subject, I should like to suggest the desirability of the Bank obtaining the loan of services of an officer of Government in active service, preferably from the Revenue or the Co-operative Department, for the investigation of the applications for loans, with special referance to valuation of lands and kindred problems. Further, investigation and valuation by one of the Directors themselves whose duty it is to scrutinise the records and dispose of the applications after weighing all the materials placed before them by the applicants and obtained from the subodrinate officers of the Bank, is not a desirable thing. For it stands to reasons that the investigating officer should not also be the judge or one of the judges. I trust that the - present method of investigation will be put a stop to entirely and the suggestion made above given effect to at once, instead of the issue being forced upon the Directors by the general body, who are sure to pronounce the present arrangement to be wholly defective.

Outstandings:- The Bank has to recover Rs.1,54,833-0-11 towards principal and Rs.49,273-2-4 towards interest from 50 societies. The amount of loans due from individuals as on 1-5-1938 was Rs.13,55,231 of which loans to the extent of Rs.31,749-9-7 in 80 cases are in courts. In 69 cases decrees

decrees have been obtained and 58 of these are under execution. The Bank appears to have been forced to have resort to the courts in the case of most of the moffusil loans of Rs.10,000 and over. The present policy or working rule of not sanctioning more than Rs.5,000 (though the byelaw permits the grant of loans up to Rs.10,000/-) in any case, is the result of past experience. Many properties have been purchased by the Bank, some in court sales, (seven cases) and some in sales for arrears of land revenue (64 cases). The total purchase price of these properties is -- Rs.41,491-6-2. A register of properties purchased by the Bank is maintained but the entries therein are not quite complete in a number of cases. The Bank is unable to manage the properties, profitably, and it has to pay annually about Rs.4000/- as land revenue. This is a serious matter and should receive the immediate consideration of the authorities. The properties should be sold as quickly as possible. The loans outstanding against the Directors amount to Rs.8,982-0-6. A perusal of the loan ledgers revealed that immediate action is not taken against defaulters and the Bank appears to be satisfied if interest is paid regularly. Locking up the capital in the hands of a few is - detrimental to the interests of the other members of the Bank. Punctuality in repayment should be insisted upon.

Profits:- The Bank has been declaring profits on the basis of accrued interest. That this practice is not in the best interests of the Bank has been impressed on it on more than one occasion. Even in the calculation of accrued interest, there have been irregularities. A few of the cases are noted below:-

A loan of Rs.12,000 was issued to Seeraddi Thippanna and others on 20-3-1928. As the parties defaulted, a suit was filed and a decree obtained for Rs.18,000-6-5 with further interest thereon at 12 per cent from 1-7-1934. In the decree a sum of Rs.3,883/- towards ordinary interest and Rs.2,321 towards penal interest had been included. Now on this loan, an annual sum of

of Rs.2,160(i.e., at 12% on Rs.18,000) is taken as accrued interest and treated as profit. This works to 18 per cent on the principal. That the Bank had been calculating interest at the decretal rate of 12 per cent on the amounts of interest and penal interest included in the decree and treating it as profit for the purpose of declaring dividends is very unsatisfactory.

The principal including costs in another case(Decree Register Folio No.64) is Rs.17,680-15-10 and interest and penal interest due up to 2-10-1935 and included in the decree is Rs.9,951-4-0. A decree was passed for Rs.27,632-3-10 with further interest at 8 per cent from 2-10-1935. A sum of Rs.14,994-8-3 towards interest is taken to profits account on 30-6-1937 i.e., a sum of Rs.5,043-4-3 for one year and nine months is taken as interest, which works to about 18 per cent on the principal.

There are many such cases of taking accrued interest at such heavy rates. (Decree Register folios 50, 32, 30, 44). It is stated by the Bank that this has been the practice of the Bank from the beginning and has been approved by the General Body in their meeting held on 22-9-1935. But if facts had been ~~represented~~ placed in their proper perspective, I am sure that the General Body would not have acquiesced in the method. Taking of accrued interest itself and declaring profits on that basis is bad enough but to take interest on interest and penal interest included on the decretal amount and declare profits on that basis is, I should think, opposed to the elementary principles of sound banking. The result has been that establishment and other charges, interest and deposits and dividends are being paid out of capital and not out of income. This is a serious matter and should receive the earnest consideration of the General Body. I am aware that in some important institutions outside the State accrued interest is being taken into consideration for the purpose of calculating profits and declaring dividends. But such accrued interest that is taken in one year for calculation purposes will, if not

not realised in the subsequent year, be deducted from the net profits of the succeeding year before the dividends are declared. This is a very safe and businesslike method. This elementary - principle has been totally ignored with the result that the members who are not on the Directorate, are made to believe that the Bank is really working profitably and declaring dividends out of income.

Writes Off:- As per byelaw No.19, the Board cannot write off any amount in excess of Rs.1,000/- in any individual case, without the sanction of the General Body. In the case of a member (Decree Register Folio No.10 Dr.A.Vasudeva Mudaliar) a sum of Rs.3564-3-4 was due. Rs.1,000 was accepted in full settlement of the claim, without the sanction of the General Body. Similarly in the case of Bache Gowda, the amount due on 30-6-1938 was Rs.3.556-2-1. A sum of Rs.51-10-0 was received on 30-6-1936 and the balance due is shown as nothing. In the case of one K.Keshavachar, the Bank had obtained a decree for Rs.2001-8-10. The Board in their meeting held on 21-11-1934 decided to accept full satisfaction for a payment of Rs.500/- only. The balance of Rs.1501-8-10 has been written off the accounts. Sanction for the write off has not been obtained. These cases show that the Board has been ignoring the General Body and exercising powers not invested in it.

Travelling Allowance & Sitting Fees to Directors:- Sitting fees at the rate of Rs.10/- for the President and Rs.7-8-0 for the Directors for each meeting attended by them is allowed. The President Mr.P.G.D'Souza has not been taking the sitting fees. The actual out of pocket expenses or conveyance hire from and to their residences will be a proper charge but not fees at this exhorbitant rate. In consideration of the present condition of the Bank, I am sure that the Directors will put a stop to the payment of sitting fees.

As mentioned in the para under loan applications and their

their investigation, the Directors including the President tour out and they are allowed Traveling Allowance at the following rates:-

For Railway Journeys	..	Single First Class fare.
For Road journeys	..	Five annas per mile.
Daily allowance for halts	..	Rupees Five per day.

The following statement gives the amount of Travelling Allowance drawn by the Directors during the last 3 years:-

	1935-36	1936-37.	1937-38.
Messrs.			
P.G.D'Souza ..	631 7 6	741 6 0	359 3 9
K.Devanathachar ..	426 7 6	216 7 6	268 6 9
B.Narayanasami Iyengar.	168 4 6	133 3 0	12 0 0
R.Vyasa Rao	..	..	18 0 0
S.Narayana Rao	..	126 3 0	81 14 0
T.Appu Rao	..	..	172 15 6
Other Directors who are now not in the Board	242 6 9	201 14 0	
	1,468 10 3	1,419-1--6	912 8 0

An analysis of the Travelling allowance drawn for loan investigation and for recovery and inspection of security properties has revealed that many journeys have been undertaken for recovery and inspection of securities without any amount being realised from the Debtors. Under the rules, Directors are not allowed to draw any Travelling allowance for their servants when they go on tour, but it is seen that travelling allowance has been drawn for such servants in a few cases. In the light of the propositions tabled for discussion by some members of the Bank and the extra cost involved, I am of opinion that the touring by the Directors should be minimised if not entirely put a stop to. I hope that this suggestion will be taken by the Board in the spirit in which it is offered and acted upto.

Establishment:- The Establishment consists of a Secretary, A chief Accountant, a Cashier, an Assistant Accountant, five Clerks and three Inspectors. The Secretary is a retired Senior Inspector of Co-operative Societies. Of the three Inspectors, one is a Law graduate, one an S.S.L.C. hand and the third is not even an S.S.L.C. It is desirable to fix the qualifications required for each post and select, in future, for the posts, only candidates possessing the required general educational and technical qualifications. The present establishment charges per mensem is Rs.792-8-0 inclusive of the contribution towards the pay of the official Liquidator.

The Chief Accountant himself is the Auditor to check the accounts daily. It is desirable that the internal audit work(i.e. day to day checking of the accounts) is entrusted to one outside the regular staff and placed under the direct control of the President.

The Bank has been contributing towards the pay of the Official Liquidator of societies indebted to it but has now proposed that the establishment may be discontinued with effect from 1st July 1938 and that it would look after the liquidation work of the societies indebted to it. Tnough the entrusting of the liquidation work to a creditor of the societies is not correct on principle, I have acceded to their request, as they have stated that the proposal was made on grounds of economy. I have not received any specific proposals in this respect from the Board yet. As the work relating to the liquidated societies is complicated and requires proper handling, the Board will please forward their proposals early, as otherwise the societies will have no liquidator from 1st July 1938.

Maintenance of Accounts:- The accounts are maintained fairly regularly, checked and tallied at the end of each month. The trial balance statements for the period up to 31-3-1938 have been

been prepared and tallied and those for April 1938 are under preparation.

Cash and Investments:- The Cashier is the custodian of the cash and also of the investments of the Bank. He has given a security deposit of Rs.1,500/-. A limit up to which he may keep the cash may perhaps be prescribed, sums in excess thereof being sent to the Bankers of the Bank or transferred to the custody of the Treasurer. A system of double locks is in vogue, one key being with the Casheir and the other with the Accountant.

Securities from Staff:- Securities in cash have been taken only from the Casheir (Rs.1,500, the Assistant Accountant Rs.200/- and one clerk Rs.500 and the Bill Collector Rs.150/-,) A proper scale of securities to be taken from each member of the Staff according to the work entrusted to him should be prescribed and securities taken from all the members of the Staff including the Inspectors.

Meetings:- The Annual General Meeting of the Bank for the year 1936-37 was held on 17-10-1937. Adjourned meetings were also held on 30-1-1938 and 13-2-1938 respectively for the consideration of the amendments to the byelaws and the propositions tabled for discussion. In view of the new Rule 6(B) under the Mysore Co-operative Societies' Act that at least a third of the number of Directors on the Board of Management of a District Head-quarters society should be persons who have not sat on the Board during the previous year, the byelaws in respect of the election of Directors should be got amended suitably, either by providing for annual elections of the entire Board or for at least a one-third as required by the Rule. A system of retirement by rotation every year may be considered. Those who have been longest in the Board may retire giving place to fresh candidates. Eleven meetings of the Board have been held during the year 1937-38 up-to-date at the rate of one meeting per month.

External

External Audit:- The accounts of the Bank for 1936-37 have been audited by Mr.K.Natarajan, Certified Auditor. But it is not to his credit that he has passed accrued interest calculated at the decretal rate on the amounts of interest and penal interest also included in the decree as profits. He has been returned by the General Body as the Bank's external Auditor for the year 1937-38 also.

G e n e r a l:- The working of the Bank requires very careful attention particularly in respect of its loan policy. I would suggest that loans in excess of Rs.5,000/- may be discouraged and granted only in very exceptional cases. Moffusil loans should be reduced as the Bank cannot watch the utilisation of the loans and examine the condition of the security properties every now and then. Loans in Bangalore City on the security of house properties should be granted more liberally at reduced rates of interest so that the Bank may be of greater benefit to its members. The scale of investigation fees should be reduced. The profit and loss statement should be worked out on a cash basis and the taking of unrealised accrued interest as profits should be put a stop to. If this ideal cannot be attained immediately in view of the past procedure, at least the suggestions made above in this respect should be followed without which the safety of the Bank will be endangered as imaginary book profits will be declared providing for inflated dividends, heavy establishment and other charges and travelling allowance to Directors and staff. Qualified and experienced persons should be employed by the Bank on its permanent establishment taking proper cash securities from them.

Registrar.

L.S.30/5.

Appendix F G—1]

25

SUBJECT.....

.....

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Section C S

File No. 107-37

Serial No. 2

Diary No. of letter replied to .....

No. 09329

To The Reg. of C.S

General and Revenue Secretariat

Sir,

the . 193

With ref. to your letter No 10206 CS

Date of issue.... 16.6.38.

dt 30-5-38 forwarding a copy of notes of

inspection of the Bangalore Central Co-operative

Signed by ..... Bank Ltd, I am directed to call

for the audit reports of the last

3 years and to enquire if they have

been placed before the general body.

It may also be stated if

and whether there is a rule that the

remarks of the inspecting officers and

the remarks of Govt thereon should be

List of enclosures.....

placed before the general body as

in the case of audit reports, and, if

Copied by..... not, whether this would be a whole some

practice - so that irregularities in

Examined by .....

the management may be available

to the members.

I have etc

16/8/96

for I. S. Secy.

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE

General and Revenue Secretariat 21

Bangalore, Dated, 14th June *193*8.

No. D 9329/CS.107-37-2 T6.

From

The Secretary to the Government of His Highness the Maharaja of Mysore,
Local Self-Government Department.

To

The Registrar of Co-operative Societies in Mysore,
Bangalore.

Sir.

With reference to your letter No.10206 C.S. dated 30th May 1938 forwarding a copy of notes of inspection of the Bangalore Central Co-operative Bank, Ltd., I am directed to call for the audit reports of the last 3 years and to enquire if they have been placed before the general body. It may also be stated whether there is a rule that the remarks of the inspecting officers and the remarks of Government thereon should be placed before the general body as in the case of audit reports, and, if not, whether this would not be a wholesome practice so that irregularities in the management may be available to the members.

I have the honour to be,

Sir,

Your most obedient servant,

15/6

Secretary to Government,
Local Self-Government Department.

Jgn/3.

C.S 107-37-3.

GOVERNMENT OF MYSORE.

No. 11,366 C. S. Encl. Copies of 3 Audit Reports

DEPARTMENT OF CO-OPERATION.

OFFICE OF THE REGISTRAR OF CO-OPERATIVE SOCIETIES IN MYSORE.

Telegraphic Address: "CO-OPERT" Bangalore

Dated Bangalore, 30th June 1938.

6/1938

GEN. & REVENUE SECRET., G.A.T. 1 - JUN 1938 DEVELOPMENT BRANCH.

FROM

M. ABDUL HUKH, Esq., B.A.,
Registrar of Co-operative Societies in Mysore,
BANGALORE.

To

P.H.Krishna Rao, Esq., M.A.,
Secretary to the Government of Mysore,
Local Self-Government Department, Bangalore.

C&S 28/6

Sir,

As desired in your letter No.D.9329/C.S.107-37-2 dated 14th/16th June 1938, I have the honour to forward herewith copies of the Reports furnished by the Auditors of the Bangalore Central Co-operative Bank, Ltd., on their audit of accounts of the Bank for the years 1934-35, 1935-36 and 1936-37 and to state that it is seen from the proceedings of the general meetings of the Bank, that the reports have been read at such meetings. As the majority of the members do not ordinarily attend the general meetings, being scattered all over the state, the practice of reading the reports does not serve any useful purpose. It is necessary that the Auditors' reports should be printed and sent to the members along with the annual report and balance-sheet. The Apex and other Banks and societies print such reports along with their annual reports together with the Board's replies to the Auditor's observations. The management of the Bangalore Central Co-operative Bank have not yet thought it fit to fall in a line with these institutions in this respect. Government have, in their Order No.D.9339-41/C.S.11-36-266 dated 17th June 1938 observed that "a few big institutions which have not followed this practice will be required to place a copy of the Audit Report on the table for the information of members and depositors", but in my opinion this is not sufficient and it is necessary that the Audit Report should be printed along with the Annual Report and sent on to the members in time and allow them sufficient time and leisure to read and understand it and discuss the same intelligently at t..

P.T.O.

the general meeting.

2. With regard to the Notes of Inspection of the Registrar, there is a provision in the byelaws of the Central Bank, that the Registrar's notes should be considered by the General Body at the Annual General Meeting. Generally, the byelaws of all societies provide for the - placing of the inspection notes before the general body. It is however necessary that it should be made compulsory to print along with the annual reports such of the extracts from the notes of inspection of the Registrar as he may direct. In respect of my present instructions to the Central Bank to print such of the extracts from my notes as are approved of by me, I wish to state that these instructions are based on the above said provision in their Byelaws. I lay particular stress on their carrying out my instructions in this respect as I have found that healthy criticism, calculated to the well-being of the institution adverse remarks on the management or instructions conveyed by persons who are competent to do so are as a rule not brought to the notice of the general body with the result that the members of the Bank have not so far been made aware of the real condition and working of the Bank nor of the responsibility of the Directors for this state of affairs.

3. I also consider it very necessary and important that the Auditor's Report with the replies of the Board of Directors to the several observations made by the former, along with extracts from Registrar's Notes of Inspection should be printed and published along with the Annual Report and Balance Sheet, instead of merely being - placed on the table, as this latter procedure hardly gives any time to the members to study the report and form an intelligent opinion about the working of the Institution. If this meets with the approval of Government Rule 13 of the Rules under the Mysore Co-operative Societies Act, may be amended as hereunder.

"On or before a date to be fixed in the byelaws, which shall not be less than 15 days before the date fixed for the general body meeting the committee shall publish an annual balance sheet showing the assets and the liabilities of the society, a profit and loss account and a statement of receipts and payments. The balance sheet, the profit and loss account and the statement of receipts and payments, the Auditor's

OFFICE OF THE REGISTRAR OF CO-OPERATIVE SOCIETIES IN MYSORE.

3.

Auditor's Report and the Committee's replies to the observations of the Auditor and the Notes of Inspection, if any, of the society by the Registrar or of his Assistants or such of the extracts therefrom as may be directed by the Registrar shall be open to the inspection of any member during office hours at the office of the Society, and copies thereof shall be sent to all the members of the society along with the Annual Report. The Registrar shall have power to exempt rural societies from the operation of this Rule to such extent as he may deem fit".

I have the honour to be,
Sir,
Your most obedient servant,

Registrar.

L.S.29/6.

Bangalore City.

29th August '35.

To

The Shareholders,
The Central Co-operative Bank, Ltd.,
BANGALORE.

Gentlemen,

We have to state that we have, this day, completed the audit of the accounts of your Bank for the year 34-35, and signed a Balance Sheet as on the 30th June 1935.

The method of taking interest credits, as adopted for the year 33-34, is continued in the accounting year. We have already pointed out the implications of this method of taking interest credit on the entire outstandings, including decreed loans and those for realisation of which suits are filed and pending. We recognise that a decent sum is ignored as in the nature of a reserve-apparently towards non-realisation etc., and that only the balance is taken credit for. All the same, we are faced with the difficulty of want of details of the reserved amount, which is in the nature of an elastic lump-sum provision, easily lending itself for subsequent adjustments. We would very much prefer ~~to~~ this to be detailed, that there might be a check on the subsequent rebates.

We feel we have to reiterate our previous suggestion regarding th importance of debiting ~~deserves better consideration~~ personal accounts for accrued interest, which suggestion deserves better consideration. Personal accounts are not now debited for accrued interest, though the realisations are passed through them. Consequently there is no, no check upon the accuracy of the interest for the year, except an average total test. We have verified the interest credit for the year on this basis, which gave us 9% which percentage we consider acceptably fair.

Fixed deposits at the end of the year were lower than the figure at the end of the previous year, due to certain deposits being returned before maturity, and deposits not being invited or accepted for a portion of the year. Current

deposit transactions for the year showed an appreciable increase over those of the previous year, though the final balances were less. Interest realis tions compare favourably with those of the last year, being slightly higher, though loan realisations were comparatively poor.

A rebate of Rs.979-13-7 has been written off to reserve, similar to the one reported by us in para (5) of our report on the accounts for the year 33-34.

We note that in the year, an official liquidator of societies indebted to the Bank was realising debts on behalf of the Bank. The accounts of no society have been finally adjusted in the light of the work of the liquidator, and the Balance Sheet shows the position, without such final adjustments.

Tempor ry investment on Land and Buildings include advances on behalf of constituents paid to the Govt. to prevent auction of property for revenue arrears.

The assets of the Bank have duly been verified.

Sd. K.V.Laxhmana Rao,

Sd. K. Netarajan.

Certified Auditors.

'Copy'

A. Swami Rao
-- Secretary,
The Bangalore Central Co-operative Bank Ltd.
20.6.38

Bangalore City

29th August '35.

To

The Board of Management,
The Central Co-operative Bank Ltd.,
B A N G A L O R E.

Gentlemen,

We beg to hand you herewith a report on the audit of your accounts for 34-35 addressed to the shareholders, which we would thank you to make available to them.

In addition to our observations therein, we would bring the following to your notice.

We note that the file regarding sanction of loan to Mr. Ameer Ahmed contains opinion doubting the regular repaying capacity of the applicant, and the subsequent sanction of the loan at the meeting does not make it clear if this opinion is withdrawn. The interest due on this loan is also recovered from the second instalment paid to him. We would prefer that such loans are sanctioned by an unanimous vote of the Board.

Interest realisation on investments was delayed in certain cases in the year, which would have minimised the overdraft at the time, if this had been in time. We feel sure that these would promptly be made.

We note an experiment is being made in the matter of collection of loans by district collectors paid by commission and we are sure that suitable check would be introduced for collections made by their exertions, as also for all collections being accounted for. May we suggest that temporary receipts be given by the collectors, which receipts could be exchanged for pukka ones from the Bank by the debtors. This would be a means for the check noted above.

We note that the Secretary has introduced the system of extracting monthly balances in a book-form which should form a very valuable internal check on the basis of total accounts. We are glad to note

several other memorands records introduced, and would mention the F.D. Maturity register, which should prove useful to the management. We have suggested certain additions to make it useful as an account check also.

We feel we have to mention our work in connection with additional instructions given to us for audits at shorter intervals. It was agreed by us that there should be quarterly audits with reports analogous to the annual audit report. Only one audit was done after this arrangement was agreed to, but no report was possible for the reason that the interest credits for the quarter or half year could not be worked out due to personal accounts not being debited for accrued interest to the end of the last accounting year. Unless this is done, and realisations passed through the personal accounts, no report is possible and no purpose serve by mere checking of figures. We have however given certain forms and suggestions and certain other forms due from us would be furnished.

We have had all help from your Secretary and the staff, but for whose help the work would have dragged on, and for whose help we feel thankful.

Yours faithfully

Sd. K.V. Laxhmana Rao,
29-8-38

Sd. K. Netarajan.
29-8-38

Certified Auditors.

'copy'

A. Swami Rao

Secretary,
The Bangalore Central Co-operative Bank Ltd
20-6-38

Bangalore City

3rd October 1936.

To

The Shareholders,
The Central Co-operative Bank, Ltd.,
B A N G A L O R E.

Gentlemen,

We would state that we have completed the audit of the accounts of your Bank for the year ending 30th June 1936 and signed a Balance Sheet as on the last day. We would report as under.

2. The final accounts for the year are closed on the basis of taking credit for accrued interest on all loan outstandings other than thos due by Co-operative societies. As before, a lump sum is deducted from the total accrued interest outstanding-apparently towards partial or non-realisation of certain of the loan outstandings, and consequently the interest credit now taken thereon. Only the balance is credited to - the Revenue Account. This method of provision has its disadvantages. If certain loan outstandings should themselves be considered doubtful of realisation, it is hard to justify taking credit for accrued interest on such outstandings. It could only be stated that such contingencies are duly covered by the lump sum provision. This would again mean the adequacy or otherwise of the provision made.

3. We have already reported our inability to verify such lump-sum provision as not being supported by details. It has been explained to us that the provision made for the current year is a third of the total interest outstandin s plus certain sums entirely reserved out of accounts not included in the prior year.

Excess provision made for the year is almost negligible. Of the increase of Rs.10,000/- about Rs.9,000/- odd represent interest on two accounts omitted in the past, but now included and entirely reserved for.

4. We have however attempted to verify the adequacy of the reserve on the basis of interest credits omitted in the past. On the basis

of

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of such omission to the period ending 30-6-33, and the accrued interest on all such accounts since then to the current period at an average rate of 7%, we arrived at a figure of Rs.1,42,900/- as against the reserve of Rs.1,40,000/- shown in the accounts. We therefore consider this as a sufficiently fair provision as on the date of the Balance Sheet.

5. We have already reported wh, lump-sum provisions are not acceptable to us as a method. We also suggested debiting of personal accounts as a safeguard, should this method be continued. This ha only been partially done in the year of account. Unless all personal accounts are debited, we are in the same position of not being able to verify interest credits for the year, except on the basis of total accounts and average rates. Such checks have been limited this year to accounts in which interest due has not been debited. We cannot sufficientl stress the importance of getting all accounts debited as on the 30-6-36, and the resultant balances verified with the outstandings furnished to us, which have been verified by us only as detailed above.

6. We would bring to your notice that in certain cases where, by purchase of property, the capital and or a portion of interest due is adjusted as received, and the debt extinguished, the remaining portion of interest is ~~he remaining protion of interest is~~ still showed as outstanding due. Interest totalling Rs.4,197/-odd is thus shown as a recoverable asset in the year of account. Unless further proceedings are contemplated against the persons concerned and are warranted by law, such debts should be written off in the year of recoveries, and consequent adjustment of capital.

7. We have understood the budget figures to be in the nature of a liquid sanction and have not therefore objected to expenditure where these have been exceeded.

8. We find that the new bye-laws make no mention of sitting fees to the Directors for the Board meetings attended by them. The chare in the year under this account would therefore need your confirmation.

9. We find that subsidiary rules authorise payment of travelling allowance to moffussil directors attending board meetings, which has been paid in the year

year. Even in Joint Stock concerns, such payments have been held valid only if authorised by articles. We therefore prefer that such expenditure be authorised by you, and incorporated in the bye-laws.

10. We feel we should mention about the dual agency of the Secretary and the Assistant Secretary now obtaining ~~xin~~ in the Bank. We find that the assistant has been given powers to act only in the absence of the Secretary, though in practice, it is the assistant who is looking after the work even while the Secretary is present. We understand the power given to the board to appoint a Secretsry and an Assistant Secretary to mean that these two officers will function with clearly defined ~~defined~~ duties not overlapping, while the present arrangement is not clear in this respect.

Further we understand bye-law 24 to empower the Board of Directors to delegate their powers to one individual and not to two. This might be construed as too restricted a view to take, but we consider this matter as of sufficient importance to be made clear.

We have otherwise carried out the audit of your accounts in the usual way. We feel that more detailed analysis of your book debts would be a source of valuable information both for working and future interest credits for revenue accounts. May we take the liberty of suggesting that the audit fees be substantially enhanced, and more detailed investigation of the book debts be thrown upon your future auditors.

Sd. K.V. Laxhmana Rao
Regd. Acct.

Sd. K. Netarajan. 3/0
Certified Auditors.

'Copy(

A. Swamy Rao

Secretary,
The Bangalore Central Co-operative Bank Ltd
20.6.38

38

Bangalore City.

3rd October 1936.

To

The President and Board of Directors,
The Central Co-operative Bank, Ltd.,
B A N G A L O R E C I T Y.

Gentlemen,

This is to acknowledge receipt of your letter No.2409 D/2-10-36 received by us on the 3rd and to thank you for same.

We find that only personal accounts of I.P. loans are so far debited for interest due for the year but not all accounts. We have however otherwise verified the interest credit and admitted the same for this work. We have reported on this point to the shareholders, which report is herewith enclosed.

May we crave your indulgence in referring to a responsible executive head of a banking institution being actively connected in a similar capacity with another banking concern. As a general proposition, it is for you to consider the advisability of the same in your Bank. We would make it clear that we have not found anything in the working of your bank to warrant any observations on this point, and we refer to no person.

We should thank your Secretary and staff for the valuable co-operation we have had from them in the audit of your accounts. Our thanks are due to the board to the ready way in which they have helped in giving effect to our suggestion re: personal account debits, and appreciated our difficulty in other ways.

Sd.K.V. Laxhmana Rao,
Regd. Acctt.

Sd. K. Netarajan, 3/10.
CERTIFIED AUDITOR.

"Copy"
A. Swami Rao -----
Secretary,
The Bangalore Central Co-operative Bank Ltd.
4 20-6-38

Bangalore City,

15th September 1937.

To

The President,
Bangalore Central Co-operative
Bank, Ltd.,
CHAMARAJENDRAPET.

Dear Sir,

Accounts of the Bank for 1936-37.

While presenting the Balance sheet of the Bank as at 30th June 1937 duly certified, I wish to place on record the following observations regarding certain points, which require consideration.

Interest accrued & pending on Loans (Rs.4,30,619-12-0)

A sum of Rs.27,160/- has been taken as net credit for this year. An additional provision of only Rs.7,250/- has been made under reserve, which in my opinion, is not adequate. At least, another sum of Rs.4,750/- should have been set off by adding to the Reserve, which has been depleted to the extent of Rs.2.182/- during the year by the writes off effected I am however glad that the individual amounts have become now incorporated in the ledger accounts

Temporary Investment on Lands & Buildings:
(Rs.35,023-6-0)

The register maintained for recordin; the transactions under this head in detail is incomplete, and requires to be properly posted up. It is very necessary that this book is kept up-to-date to watch the realizations, and return by way of rent, etc., as well as the payment of rent and Kandayam to the Revenue authorities. The accounts relating to the Jansalay Estate and the Nandagudi Lands (Mis.L.F.248 & 200/II) require detailed examination. Reserve Fund (Rs.2,27,737-6-5)

The write-off of a sum of Rs.53-7-0 as a result of the revised calculations in the case of the Siddi Co-operative Society requires to be reported to the General Body. Furniture Depreciation Fund.(Rs.1,855/-)

Furniture Depreciation Fund (Rs.1,855/-)

The sum that is being appropriated out of the annual profits for addition to this head (viz.Rs.100/- is not enough for the purpose of depreciation of this asset. Nothing less than 5% p.a. would be adequate, and this could be also charged off to P & L accoun as in the case of the buildings, instead of in the P & L appropriation account, as this charge has to be met as a working expense for the year and does not require the approval of the General Body.

Building depreciation Fund (Rs.1,932/-)

The sum of Rs.644/- that is being charged as depreciation annually is not sufficient, as it does not work up to even 3%. Since the building is becoming old, the percentage requires to be gradually increased to strengthen the fund created for the purpose.

Reserve for Bad & Doubtful Debts (Rs.31,080/-)

The provision requires to be greatly increased A total sum of Rs.4,230/- has been written off under this head during the year. The item of Rs.3,750/- under this reserve, and another sum of Rs.1,811-13-5 under 'the interest reserve' written off by the Board as irrecoverable, required the previous approval of the ~~the~~ General Body, since it exceeds the powers vested in them under bye-law 19.

Common Good Fund (Rs.225/-)

Sums aggregating to Rs.275/- have been expended out of the Rs.500/-, resolved by the General body for being carried forward under this head. This requires to be intimated to the General Body for their information.

Overdraft in Mysore Bank (Rs.57,667-3-11)

The necessity and the advisabality of continuing to have this account going require to be examined. The margin of profit by way of loans issued to the members from such drawings is very low. The percentage of total liabilities of the Bank fixed in relation to the Share Capital (owned) in bye-law 17 should not be lost sight of.

The Provident Fund bonds that are being issued carry rather heavy rate of interest, when compared to the interest on fixed deposits for the same periods.

This

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This aspect of the question may kindly be gone into, before issue of fresh bonds in future.

Miscellaneous & other contingent charges.

There has been an increase in the taxes paid, Supervision charges and other items over the budget provision, which requires to be reported to the General Body, and their approval obtained, though the total of the budget estimate of expenditure for the year has not exceeded and there has really been a saving.

There is no principle now in classifying the other items under 'Miscellaneous charges' and 'Contingencies'. These can be clubbed together, and classified at the end of the year as far as possible for the information of the General Body in the statement of details, furnished to them in support of the P & L account. I see there is a tendency towards increase in the conveyance charges incurred. The rate, and the legitamacy will have to be determined by the Management before they are paid for. I have made some suggestions in the maintanance of the Fixed deposit ledgers, which I trust will be carried out. My special thanks are due to the Secretary, Accountant and the Staff for all the facilities so kindly afforded to me for getting through my work as expeditiously as possible.

Sd. K. Natarajan.

Certified Auditor.

"Copy"

A. Swami Rao

Secretary,

The Bangalore Central Co-operative Bank Ltd.

20.6.1938

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Appendix F G—1]

SUBJECT.....

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Section 6J.

File No. 167-37

Serial No. 4

Diary No. of letter replied to .....

No. D 119

To The Registrar C.J.

General and Revenue Secretariat

( )

the *193* .

Sir

Date of issue 7.7.38

With refee to the Correspondence ending with your letter No 11366 dated the 30th June 38 forwarding copies of the Audit reports of the Banks for Central Cooperative Bank Ltd. I am directed to request you to kindly obtain and forward for information and refee of Govt five copies of the bye laws of the Bank brought upto date

Signed by .....

I have etc

List of enclosures.....

Copied by.....

Examined by.....

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE

General and Revenue Secretariat 43

No. D 119/Cs. 107-37-4 Dated, Bangalore, 6th July 1938.

From

The Secretary to the Government of His Highness the Maharaja of Mysore,
Local Self-Government Department.

To

The Registrar of Co-operative Societies in Mysore,
Bangalore.

Sir,

With reference to the correspondence ending with your letter No.11366 dated the 30th June 1938 forwarding copies of the audit reports of the Bangalore Central Co-operative Bank, Ltd., I am directed to request you to kindly obtain and forward for information and reference of Government five copies of the byelaws of the Bank - brought up to date.

I have the honour to be,
Sir,
Your most obedient servant,

for Secretary to Government,
L.S.G. Department.

GRA/2.

C.S 107-37-5

GOVERNMENT OF MYSORE.

No. 343 C.S.

Sub: S-copies of Byelaws

DEPARTMENT OF CO-OPERATION.

Telegraphic Address: "CO-OPERT" Bangalore

OFFICE OF THE REGISTRAR OF CO-OPERATIVE SOCIETIES IN MYSORE,

Dated Bangalore, 9th July 1938

FROM

M. ABDUL HUKH, ESQ., B.A.,
Registrar of Co-operative Societies in Mysore,
Bangalore.

GEN. & REVENUE SECTION
DEVELOPMENT BRANCH.

To

P.H.Krishna Rao, Esq., M.A.,
Secretary to Government, L.S.G. Department,
Bangalore.

Sir,

As desired in your letter No.D.119/C.S.107-37-4 dated 6/7th July 1938 I have the honour to forward herewith five copies of the byelaws of the Bangalore Central Co-operative Bank, Ltd., Bangalore, corrected up-to-date.

I have the honor to be,
Sir,
Your most obedient servant,

Registrar.

THE

BANGALORE CENTRAL CO-OPERATIVE BANK, LTD.

BYE-LAWS

BANGALORE CITY
PRINTED AT THE MODI POWER PRINTING WORKS
SRI NARASIMHARAJA ROAD

1935

THE

Bangalore Central Co-operative Bank, Ltd.

BANGALORE

BYE-LAWS

Name:

1. This Bank which is registered under the Mysore Co-operative Societies Regulation III of 1905, shall be called "THE BANGALORE CENTRAL CO-OPERATIVE BANK, LIMITED."

Its Registered Office shall be at "No. 1, Central Bank Road, Chamarajapet, Bangalore City."

Its operations shall extend to the whole of the Mysore State, but it shall not grant loans of a smaller amount than Rs. 2,000 on the security of immovable property to individual shareholders, outside Bangalore City. It shall not lend money to Co-operative Societies, provided that nothing shall affect its previous or existing transactions with such societies.

Wherever these Bye-laws refer to acts to be performed by the Bank, they shall be understood to mean that such acts are to be performed by the General Body of members assembled at a Meeting duly convened.

Objects:

2. The objects of the Bank shall be as follows:

(1) Furtherance of thrift and providence among the members;

(2) Attraction of capital and the grant of credit to the members;

(3) Rendering financial assistance to the members in their activities of a beneficent and profitable nature connected with the improvement of their agricultural, industrial and commercial undertakings;

(4) Any other object calculated to promote the economic interest of the members.

Funds:

3. The Funds of the Bank shall consist of:

(*a*) Subscribed Share Capital;

(*b*) Deposits, Provident Fund Subscriptions, Loans and Debentures;

(*c*) Reserve Funds;

(*d*) Any other Receipts or Profits.

Share Capital:

4. The share capital of the Bank, shall, for the present, be Rs. 6,50,000, made up of 2,600 shares of Rs. 250 each, which shall be paid in calls of Rs. 25 each, or of such amount as the Board may from time to time decide as hereinafter provided. The Board of Management shall fix from time to time:

(1) the amount of each call in respect of each share;

(2) the interval, which shall not be less than two months in any case, between call and call;

(3) the interest which shall in no case exceed 12 per cent, which may be levied on such calls if there should be default in payment of them.

The Board of Management may also fix whether, and when, calls may be received in anticipation with the privilege of earning dividends thereon.

A premium of Rs. 15 per share shall be levied and collected along with the first call on shares issued to the members, and it shall be credited to the Bad Debt Reserve.

Membership :

5. Any person over 18 years of age and of sound mind, residing or employed or doing business or owning immovable property within the Mysore State, shall be eligible for admission, but no one will be admitted to membership who is not, or is not likely to be, a resident of the Mysore State.

The members of the Bank shall consist of :

(1) Persons who have subscribed to the application for registration ;

(2) Persons who have been subsequently admitted by the Board of Management ;

(3) Such Co-operative Societies which had been admitted as members, and which have not yet finally closed their accounts with the Bank.

Applications for admission to membership should be in the form given in Schedule I, and should be sent to the Secretary. Such application should be supported by at least one member and should be accompanied by an entrance fee of Rs. 2. Applications from members for additional shares require no fee, and no support as above; they also shall be sent to the Secretary. The first call together with the premium of Rs. 15 per share shall be paid in all cases within one month of issue of intimation of sanction to the address given by the applicant, and in default of such payment the entrance fee shall be forfeited and the sanction shall be deemed to have lapsed.

A person whose application for membership has been sanctioned shall not be deemed to have become

a member before he has paid the first call together with the premium on at least one share.

6. The disposal of applications for shares shall vest in the Board of Management. In case of rejection of application for membership, the entrance fee shall be refunded.

Shareholding:

7. No member of the Bank shall at any time hold more than four shares of the aggregate value of Rs. 1,000 without the sanction of the Government.

Share Certificate:

8. Every member of the Bank is entitled to a Share Certificate for each share, free of cost, signed by the President and two members of the Board of Management. A certificate once granted shall be replaced when destroyed or lost on payment of annas four for each certificate replaced.

9. The liability of each member shall be limited to the extent of share capital subscribed by him.

Cessation of Membership:

10. Membership shall cease:

(1) by resignation,

(2) by transfer of all the shares of a member,

(3) by removal from membership as hereinafter prescribed,

(4) by his becoming a bankrupt, or insane,

(5) by his death,

(6) by permanent removal outside the Mysore State.

11. The Board of Management may, at their discretion, remove a member for being in default in

respect of any sum due to the Bank, provided that three months' written notice is given to the defaulting member of the action proposed to be taken against him.

12. The Bank at a General Meeting shall have the power to remove any member for any act which, in its opinion, is likely to be injurious to the reputation, credit or interests of the Institution, after giving him an opportunity of explaining his conduct.

13. No member shall be permitted to resign or transfer any share held by him unless he had held such a share for a period of at least one year. No transfer of a share shall be allowed unless the transferee is a member of the Bank; but no transfer of a share shall be operative unless and until it has been finally registered in the books of the Bank after formal sanction by the Board of Management. Only a transfer fee of Rs. 2 shall be levied on each transfer so registered, and no premium shall be leviable on the transfer of a share on which the prescribed premium has already been paid by the original holder. When a member holding more than one share transfers only a few but not all of them to the Bank, a statement of account in respect of the shares transferred shall be prepared and the balance, if any, that may remain over after making necessary adjustments shall be refunded to him.

Refund of Share Value:

14. In any case of cessation of membership, otherwise than by death, the person ceasing to be a member shall be entitled to receive and the Board of Management shall be bound to pay not later than one month from the date of such cessation, coming to the knowledge of the Bank, the paid-up value of such share or shares together with dividends, if any, declared by the Bank in respect of the period during which he was a member, after deduction of all sums due by him to the Bank, but he shall have no claim

whatever on the Reserve Fund or any other Assets of the Bank.

Disposal of shares of deceased members:

15. On the death of a member, the Board may transfer the share or interest of the deceased member to the person nominated, or, if there is no person so nominated, to such person as may appear to the Board to be the heir or legal representative of the deceased member, provided that in case of a transfer, the nominee or heir or legal representative as the case may be, shall be regarded as succeeding also to the liabilities of the deceased member to the Bank; or the Board may pay to such nominee, heir or legal representative as the case may be, a sum representing the value of such member's share or interest ~~less the premium and entrance fee~~ after deducting all amounts due to the Bank from such deceased member.

The Board may also pay all other moneys due to the deceased member from the Bank to such nominee, heir or legal representative as the case may be.

Where there is no nomination and if it is not known to the Board who the heir or legal representative of the deceased member may be, the Board may institute reasonable enquiry to ascertain who the heirs or legal representatives are, and issue a notice to them, if ascertained, to establish their claim giving them a reasonable time which shall in no case be less than three months. On the expiry of this period, or if no claim is forthcoming within three months of the death of a member, the share shall revert to the Bank, and a sum representing the value of the share or interest as ascertained in accordance with the Rules or Bye-laws shall be transferred to suspense account. The same shall carry interest at the rate allowed on current deposits.

Bye-law [illegible].15:- The entrance fee and premium shall not be paid.

Liability of past members and deceased members:

16. The liability of a past member for the debts of the Bank, as they existed at the time when he ceased to be a member, shall continue for a period of two years from the date of his ceasing to be a member. The estate of a deceased member shall be liable for a period of one year from the time of decease, for the debts of the Bank as they existed at the time of his decease.

Attraction of Funds:

17. The Board of Management may receive deposits at its discretion or raise loans from recognised financial institutions or by way of debentures, when needed, either from members or from others, and it shall be competent to settle the terms on which the deposits and loans shall be taken, provided, however, *firstly*, that deposits offered by the members of the Bank shall receive preference over deposits offered by non-members, and *secondly*, that the rate of interest on such deposits shall not exceed 7½ per cent per annum, and *thirdly*, that the total amount raised by the Bank from non-members in the way of deposits and loans, shall not exceed five times the owned capital of the Bank.

Issue of copies of Bye-laws, Pass-Books, etc.:

18. Every member shall be furnished free of cost with an up-to-date copy of the Bank's Bye-laws, either in English or Kannada, as he may desire and every depositor with a Pass-Book as also its subsequent continuations. Should the depositor or the member lose the Pass-Book, Fixed Deposit Receipt or Provident Fund Certificate, he shall pay annas four for a duplicate of each of them. Should he require an extra copy of the Bye-laws, he shall pay annas two per copy.

Bye-law NO.10:- Shareholders shall be supplied with a copy of the list of members on payment of 8 annas a copy.

Bank elected at the General Meeting from among the members:

(1) who have signified their willingness in writing to stand for election, or

(2) whose names have been notified by not less than two members to the Secretary at least eight days before the meeting and who have intimated in writing their willingness to serve as Directors, if elected. But no such notification shall be treated as valid if it includes more names than the number to be elected.

The President shall ordinarily preside at the meetings of the Board, and shall have a casting vote when there is an equality of votes on any question before the Board.

The Board of Management shall continue to hold office for a period of three years.

If during this period, a vacancy should occur on the Board, it may be filled up by the remaining members of the Board till the next Annual General Meeting when it shall be filled up by election by the General Body.

No member who is declared to be a defaulter and remains such at the time of election, shall be eligible to become a member of the Board. A member of the Board who has been duly declared defaulter, shall be deemed to have vacated his office, but he shall recover eligibility for office if he ceases to be a defaulter in the manner prescribed in Bye-law 30.

The Board of Management shall appoint one of their number as Honorary Treasurer.

It shall be competent to the Board of Management to appoint a Secretary and an Assistant Secretary.

23. The Board of Management shall meet at least once a month to conduct the business of the Bank. It shall be open to the Secretary, to circulate papers among the members of the Board and take their decision in that way, provided that, if there is any dissentient note, the matter shall be brought up before a formal meeting of the Board. The quorum for a Meeting of the Board of Management shall be four members. In the event of the President not being able to attend any meeting, the members present may elect a Chairman for the occasion, such Chairman having the right of a casting vote as described in Bye-law 22.

24. The Board of Management shall be competent to delegate to the Secretary, in addition to all powers necessary for carrying on the routine work of the Bank, the power of sanctioning loans or overdrafts to members within the limits of the paid-up assets of those members, and to give such directions to the Secretary in regard to the exercise of such powers as may seem proper to the Board, provided that the Secretary shall submit to the Board a list of loans and overdrafts granted by him at its next meeting for incorporation in the proceedings.

25. Any member of the Board who absents himself without sufficient reason from three consecutive meetings shall be deemed to have vacated his seat on the Board.

General Meetings:

26. The ultimate authority in matters relating to the administration of the Bank shall be vested in the General Body of the members of the Bank, assembled at a meeting duly convened. Such a meeting shall be called a General Meeting.

27. General Meetings shall be of two kinds, Ordinary and Extraordinary.

Bye-Law NO.24:-The Board of Management shall be competent to delegate to the Secretary, in addition to all powers necessary for carrying on the routine work of the Bank, the power of sanctioning loans or overdrafts to members within the limits of the paid up assets of those members or within such limits as are prescribed by the Board, on the security of Mysore State Loan Bonds, or of Government of India Loan Bonds, or of deposit or share certificates of such Banks as may be approved by the Board from time to time, and to give such directions to the Secretary in regard to the exercise of such powers as may seem proper to the Board, provided that the Secretary shall submit to the Board a list of loans and overdrafts granted by him at its next meeting for incorporation in the proceedings.

28. An Ordinary General Meeting shall be convened once a year, not later than the 15th October to pass the annual Administration Report and the Balance Sheet and the Budget Estimates for the next year, to consider the Registrar's notes, if any, to elect auditors, to elect the Board of Management, should their period be about to expire or have expired, and to consider such other subjects as may be brought up before it. The members of an outgoing Board of Management shall continue to conduct the administration of the Bank till a new Board is elected. The quorum for an Ordinary General Meeting shall be 30 members who have not been declared to be defaulters as hereinafter described. If there be no quorum within half an hour from the appointed time on the date originally fixed, the meeting shall be adjourned for a fortnight, and the subjects already notified disposed of at the adjourned meeting for which there need be no quorum.

The Auditors' Report shall be placed on the Bank's table one clear week before the date fixed for the Annual General Meeting.

Extra-ordinary General Meeting:

29. The Board of Management may, whenever it deems it necessary, call for an Extra-ordinary General Meeting. The Board shall convene such a meeting on receipt of a requisition in writing signed by not less than 30 members who have not been declared defaulters, and setting forth the subject or subjects intended to be brought up before such a meeting. A requisition received as aforesaid shall be acknowledged to the address of the first signatory thereof within a week of its receipt, and the Meeting shall be called not later than six weeks from the date of requisition, unless the requisition happens to be received within two months of the date when the next Ordinary General Body Meeting is due to be held,

in which case, an endorsement to the effect that the subjects referred to in the requisition will be included in the agenda of that Ordinary General Meeting will be issued to the first signatory of the requisition. The subjects intended to be discussed at the Extra-ordinary General Meeting shall be notified to the members at least a fortnight before the date of the Meeting. If the Meeting be not called within six weeks as provided above, and if no endorsement is issued intimating the fact of a forthcoming General Meeting as aforesaid, the signatories to the requisition may themselves call the meeting. The quorum for the Extra-ordinary General Meeting shall be 50 members who are not declared defaulters. If there be no quorum within half an hour from the appointed time, the Meeting, if convened on the requisition of members, shall be deemed to have been dissolved. If it has been convened by the Board, the Meeting shall be adjourned for a fortnight, and the subjects already notified disposed of at the adjourned meeting, for which no quorum is necessary.

General provisions as to Meetings:

30. At every Meeting of the Bank, every member shall be entitled to be present; and he shall also be entitled to vote, provided, he has not been declared in writing by the Board to be in default to the Bank in any way, and provided further that, where there has been such a declaration, intimation of the same has been sent to him to his registered address at least a month before the date of the General Meeting. It shall, however, be open to a member declared a defaulter, as above, to recover eligibility to vote by making a payment before the Meeting, of such proportion of the arrears as may be approved by the Board.

31. Each member shall be entitled to one vote, irrespective of the number of shares held by him and voting by proxy shall not be allowed.

Reserve Fund :

32. Not less than one-fourth of the net profits of each year shall be carried to the credit of the Reserve Fund. Out of the remainder, dividends shall be declared and paid to shareholders at a rate which shall not exceed 7½ per cent without the general or special sanction of the Registrar and the balance, if any, may, with the approval of the General Body, be utilized for such other purposes consistent with the objects of the Bank as may be proposed by the Board of Management or otherwise decided upon by the General Body.

33. (1) The Reserve Fund shall be indivisible and no member shall be entitled to claim a specified share therein. Any loss or portion of loss on account of bad debts written off during any year may, with the sanction of the Registrar, be debited to the Reserve Fund, provided that no loss be debited to the Reserve Fund without the sanction of the General Body.

(2) The Reserve Fund shall be invested in one or more of the following modes :

i. in the Government Savings Bank, or

ii. in the Post Office Savings Bank, or

iii. in the shares or on the security of any other Society, or

iv. with any Bank or person carrying on the business of banking approved for the purpose by the Registrar.

(3) With the previous sanction of the Registrar, the Reserve Fund or a part thereof, may be utilized as working capital, or it may be invested in the purchase or leasing of land, or in the construction or acquisition of buildings, or in such other manner as may be necessary or desirable for the conduct of the Bank's business.

(4) On the dissolution of the Bank, the Reserve Fund shall be applied to discharging such liabilities of the Bank as may remain undischarged after the enforcement in full of the liability of the members; to the repayment of the share capital paid up and, if for any period, no dividend has been paid out of profits, to the payment of a dividend for such period at a rate not exceeding six per cent per annum. Such portion of the Reserve, as may remain after the payments mentioned above have been made, shall be applied to such local objects of public utility as may be decided upon by the General Body of members and approved by the Registrar. If within three months of the dissolution of the Bank, the General Body of members fail to make any selection approved by the Registrar, the Registrar shall credit the funds to the Reserve Fund of any Co-operative Society with similar objects that may be working in the neighbourhood of this Bank.

Miscellaneous:

34. For the purposes of the Bank the year and the months of the English Calendar shall be adopted. The Bank's year shall be calculated to run from the 1st July of one year to the 30th June of the following year.

A list of Bank Holidays shall be duly notified on the Notice Board of the Bank, and also distributed to the members.

35. All notices for Meetings and all other notices shall be deemed sufficient and proper, if posted to or left at the address given by the shareholders, depositors, or other constituents of the Bank, it being their duty to keep the Bank informed of any change in their address. In the case of a General Meeting, notice of the time and place thereof, and of the business to be transacted therein shall be given or posted to every member at least 20 days previous to the

Bye-Law 10.39:- Information relating to the Annual Report and the Balance Sheet called for by any member a fortnight before the date of the General Meeting shall be furnished to him atleast five days before the date of the said meeting.

date fixed for it either in English or Kannada as the member might have desired.

36. The Provident Fund Rules of the Bank printed as Schedule II shall also be deemed to be part of these Bye-laws.

37. No addition to, alteration in, or amendment of, these Bye-laws shall be made unless the same shall have been passed by not less than two-thirds of the members of the Bank entitled to vote and present at a General Meeting, and unless it has obtained the approval of the Registrar.

Questions, Information, etc.

38. If any member wishes to bring up before the General Meeting any proposition relating to amendments to the Bye-laws, or to any matter of general importance, or to elicit any information tending to throw light on the administration of the affairs of the Bank, he shall send up to the Secretary such propositions or questions, not later than the 15th August, provided that no information shall be furnished which in the opinion of the Board, is of a personal or confidential nature, and provided further that it shall not be necessary to extract separately information which is already available in published papers or documents placed on the table.

(Approved by the Registrar as per his letters Nos. 441—C.S. and 2670—C.S., dated 19-7-1935 and 31-10-1935 respectively.)

and 6987 dt 23-2-37

To be supported by at least one member

SCHEDULE I.

APPLICATION FOR MEMBERSHIP

To

THE SECRETARY,
THE BANGALORE CENTRAL CO-OPERATIVE BANK, LTD.,
BANGALORE CITY.

Dated.....*193*

SIR,

I wish to become a member of the said Bank. I shall feel obliged if you can kindly move the Board of Management to enrol me as a member and allot to me.....shares. I herewith send Rs.....being the entrance fee for membership at Rs.....per share.

I shall abide by the rules of the Bank.

Yours faithfully,

1. Usual signature.....
2. Name in full.....
3. Full address.....
4. Age.....
5. (*a*) Occupation.....
   (*b*) Annual income and sources of income.....
   (*c*) Estimated value and description of properties, if any.....
   .....
6. Father's name.....
7. Names of other Institutions of which the applicant is a member and his liabilities therein and elsewhere .....
   .....
8. Purpose of membership.....
9. Name and address of nominee, if any, who should succeed to the applicant's share and interest in the Bank and his or her relationship to the applicant .....
   .....
   .....

Supported by :

Membership sanctioned and.....shares allotted.
Vide Proceedings of the Board, dated the.....193

SCHEDULE I.

APPLICATION FOR PROVIDENT FUND

Station.....

Dated.....*193* .

To

THE SECRETARY,
THE BANGALORE CENTRAL CO-OPERATIVE BANK, LTD.,
BANGALORE CITY.

DEAR SIR,

I desire to become a subscriber to the Provident Fund on my or.....behalf. I have herewith sent annas four being the entrance fee and request you to be so good as to allot to me.....certificates of..... .... years duration.

2. I have read and understood the Rules relating to the Fund and I hereby agree to be bound by the Rules now in force and those that may be framed from time to time for the working of the Fund.

3. I further promise to pay duly on or before the 10th of every month the stipulated subscription.

Yours faithfully,

Signature.....

Address in full.....

.....

Intimation of allotment given

No.....dated.....

Number of Certificates allotted.....

Secretary.

SCHEDULE II.

PROVIDENT FUND RULES

The Provident Fund is intended only for members. Those intending to subscribe to the fund are requested to get forms of application from the Bank, fill them up and send them with the prescribed entrance fee.

(1) Every member shall be eligible to be a subscriber to the Provident Fund. Subscriptions may also be made on behalf of minors, of whom, members are parents or guardians.

(2) Every member wishing to subscribe to the Provident Fund will present an application in the prescribed form together with an entrance fee of annas four.

(3) There shall be three kinds of certificates running for periods of 3, 5 and 7 years respectively.

(4) Every subscriber shall pay his subscription in advance before the 10th of every month, the minimum amount payable being Rupee one for each certificate; in the case of three-year certificates, the 1st month's subscription shall be Rs. 1-8-0. The maximum number of certificates which a member may subscribe for shall be 50.

(5) On receipt of the 1st instalment, an undertaking duly signed on behalf of the Bank and with the common seal of the Bank will be given to the subscriber, stating that, subject to the subscriber adhering to these and other rules framed from time to time and faithfully discharging his obligations thereunder, the Bank shall, at the end of 3, 5, or 7 years, from the date of the 1st payment, pay to him in full

and final settlement a sum of Rs. 40, Rs. 70 or Rs. 106 for each sum of Rs. 36-8-0, Rs. 60 or Rs. 84 respectively paid by him. These rates shall remain in force till duly altered under Rule 11 *infra*.

(5-*a*) Subject to the proviso in the next para, commutability from one class of certificate to another may be allowed at the discretion of the Board on payment of a fee of Re. 1 per certificate.

Such conversion can be made only if such application is made not less than 6 months before the maturity of the period of the certificate sought to be commuted.

(6) Continued default in payment of the monthly instalments under Rule 5 will be treated as a debt against the Bonus payable for a period not exceeding one year, and shall become payable with compound interest at 6¼ per cent per annum, provided the subscriber makes his request in writing in that behalf. For casual defaults interest shall be charged at one pie per rupee per month.

(6-*a*) If a subscriber wishes at any time to discontinue further payments towards the Provident Fund and puts in a written application in that behalf, the Board shall refund to him, at the expiry of the stipulated period, the actual amount paid by him together with simple interest at 3 per cent per annum till the date of default of the instalment due; provided, however, the Board may at its discretion, make the refund of the amount paid by a subscriber at any earlier date, in case sufficient and satisfactory reasons are assigned by him for claiming the refund and accepted by the Board.

(7) The death of a subscriber, however, will not entail any of the penalties prescribed in Rule (6); but the amount paid by him will be repaid to his

nominees or in the absence of such nominees, to his legal heirs without any deduction but with simple interest at 5 per cent per annum calculated up to the date of his death, provided that, if the heirs or nominees wish to continue the subscription for the remaining period, they shall be entitled to do so.

(8) A subscriber may nominate any person as the beneficiary of his subscription, but no such nomination will be recognised till it is made on a form provided by the Bank for the purpose and duly registered in its books.

(9) The subscribers to the Provident Fund will rank *pari passu* with depositors in the Bank in so far as their lien on the Assets of the Bank is concerned.

(10) The Bank shall, however, have a lien upon the Provident Fund Subscription of any subscriber or member who is indebted to the Bank and has made a default.

(11) The Board of Management, shall have power to frame, from time to time, subsidiary rules not inconsistent with these rules for the working of the fund. They shall also have power to alter or amend from time to time the amount of Bonus fixed for each denomination of certificate in confirmity with variations in the prevailing rates of interest at the time, provided that, no alteration or amendment shall be deemed to have retrospective effect.

SCHEDULE II.

STAFF PROVIDENT FUND RULES AND REGULATIONS

1. Every employee in the permanent service of the Bank shall be eligible for membership, and he shall become a member.

2. A member of the Fund is allowed to name a nominee.

The balance standing at the credit of a member in Provident Fund Account will be paid upon his retirement to himself or upon his death earlier, to the nominee and in the absence of a nominee to the legal heirs of the member.

3. Except, as is by these Rules expressly provided, no member, nor any person claiming under or through him, shall be entitled to claim any payment of money standing at the credit of the Provident Fund to him or them.

4. Every employee in the permanent service of the Bank shall subscribe to the fund at the rate of 1/16 of his salary on the first day of the month succeeding that for which the salary is payable, and the Bank shall, from time to time, deduct the prescribed subscription at the time of disbursement of pay to the member and credit the same to his account.

5. The Bank shall on the 30th June of each year contribute to the Fund a sum equal to the amount of subscription paid by the members during the year and credit the same to the respective accounts of individual subscribers in proportion to the amounts paid by them.

6. The Bank shall allow interest at the rate of 1 pie per rupee per month on the minimum balance at the credit of each member between the 4th and the last day of the month, and credit the same to his account on the 30th June of each year.

7. The Bank shall have a first and paramount lien upon the amount from time to time standing to the credit of each member in respect of all losses, damages, costs and expenses which the Bank may at any time incur, sustain, or be put to, by reason of any act, embezzlement, mismanagement, neglect or default of, or by such member, and the amount from time to time standing to the credit of each member, in respect of his subscription to the Fund and the interest thereon, shall be deemed and treated as a deposit made by him with the Bank as security for his fidelity and due performance of the work assigned to him, and the same may be disposed of accordingly and in the event of any claim arising to the Bank under this Rule the member against whom such claim shall arise shall absolutely forfeit to the Bank all right and interest to, and in the moneys outstanding to his credit including contributions made by the Bank under Rule 5 and the accumulated interest.

8. If any member be dismissed from the service of the Bank for misconduct, insubordination, or for any other reason, he shall, subject to any claim of the Bank under Rule 7, be paid only the amount then standing to his credit in respect of his own subscriptions to the Fund, and without any interest thereon, and all the moneys contributed by the Bank along with interest thereon shall revert to and become the property of the Bank absolutely.

9. On the retirement of any member from the service of the Bank without express permission in writing from the Management he shall, subject to any claim of the Bank under Rule 7, be entitled to

receive only the amounts of contributions made by him as mentioned in the foregoing Rule, and not either interest thereon or the contributions, etc., made by the Bank.

10. The contributions made by the Bank from time to time under Rule 5 shall, subject to any claim of the Bank under Rule 7, be paid along with interest provided for in Rule 6, only to employees who have put in a service of at least 5 years in the Bank from the date of passing these Rules.

11. On the death of any member whilst in the service of the Bank, his nominee and, in absence of the nominee, the legal heirs of the member, shall, subject to any claim by the Bank under Rule 7, be paid the amounts standing to the credit of the deceased member, till the date of his death including the contributions made by the Bank and accumulated interest.

12. No assignment or transfer by any member of any moneys standing to his credit under these rules, whether by way of absolute assignment, gift, mortgage, or otherwise, shall be valid, and the Bank shall not recognise, or be bound by, notice of any such assignment, transfer, gift or mortgage.

13. The Board of Management of the Bank may, from time to time, make subsidiary rules, not inconsistent with these rules, with reference to the accrual, enjoyment, suspension and forfeiture, of the benefits of the said Fund, or any other point necessary for the due working of the Rules and the administration of the Fund and the application and disposal of the said Fund accordingly, and otherwise in relation to the working and management of the said Fund.

14. The decision of the Board of Management

in all matters relating to the administration of the Fund shall be final.

15. Every member of the Fund shall execute a declaration in the accompanying form before a Magistrate accepting the conditions of the Fund as binding on him and those claiming through him.

16. The Rules of the Staff Provident Fund shall come into force with effect from 1st January 1928.

G. R. S. App. F VI—G 2]

SUBJECT .....

.....

.....

Diary No. of letter replied to.....

General and Revenue Secretariat

( )

the *193* .

Date of issue 22-7-38 193

Signed by .....

forwarding with his remarks ~~the report of inspection~~

May this be—

(i) ~~printed~~?

(ii) treated as a standing order ?

(iii) published in the Gazette, English Part? D596 22-7-38

(iv) translated? Copies to the Reg. Mats.

(v) placed at the disposal of the press ?

(vi) published in the Gazette, Kannada Part?

Section bs.

File No. 107-37

Serial No. 6

Proceedings of the Government of His Highness the Maharaja of Mysore.

Read—

Correspondence ending with letter No 343 dated the 9th July 1938 from the Registrar of Cooperative Societies in connection with his inspection of the Bangalore Central Cooperative Bank Ltd. and in view of the advice offered by the Department ~~Order thereon.~~ No. Bangalore Central Cooperative Bank Ltd the Bank has been continuing the practice of taking unrealised accrued interest as profit year after year even in cases where recovery of even a portion of the principal is doubtful with resultant in the depletion of the assets

of the Board ~~of~~ that the reports furnished
by the Auditors are not printed along
with the annual reports and balance
sheets as in other Co-operative institutions
and that ~~in~~ in spite of the provision
in the bye-laws for the consideration by the Genl. Body
of the Notes of inspection by the Registrar
at the annual general meeting
the Notes are not printed along
with the annual reports. ~~and~~ He therefore
requests ~~the~~ the framing of
a rule prohibiting the treating of
receipts such as profits except
with the sanction of the Registrar in order
to avoid the depletion of capital by distribution of dividends
and the amendment of Rule 13 of (on issuing any profit
the Rules under the C.S. Act providing
the compulsory printing of the audit
report with the replies of the Board of
Management thereto and the extract
of the inspection
of Notes of inspection by the Deptal officers
enable the general body to understand
real condition of the working of

List of Enclosures

Copied by

Examined by

G. R. S. App. F. G. 3.

GENERAL AND REVENUE SECRETARIAT.

(*Continuation sheet draft form.*)

48

the institution and also to create healthy civic sense related to its well being.

Govt are pleased to approve the suggestions of the Registrar who is requested to forward drafts of the rules to be framed and comments to give effect to the foregoing recommendations

[illegible]
20.7.38

[illegible] Secy. L.S.G.

18/18.7

To the Registrar of Cs.

PROCEEDINGS OF THE GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

Read :—

Correspondence ending with letter No.343 dated the 9th from the Registrar of Co-operative Societies in Mysore, forwarding his remarks the report of his inspection of the Bangalore Central operative Bank, Ltd.,

Order No. 10596 / Cs. 107-37-6

Dated, Bangalore, ~~21st~~ 22 July 1938.

The Registrar states that, in spite of the advice offered by t Department, the ~~Bank~~ Bangalore Central Co-operative Bank Ltd has been continuing the practice of taking unrealised accrued interest as profits year after year, even in cases where the recovery of even a portion of the principal is doubtful, resulting in the depletion of the capital of the Bank, that, the reports furnished by the Auditors are not printed along with the annual reports and balance sheet, as in other Co-operative institutions, and that, in spite of the provision in the byelaws for the consideration by the General Body, of the Notes of inspection by the Registrar, at the annual general meeting, the notes are not printed along with the annual reports. He, therefore requests the framing of a rule prohibiting the treating of accrued interest as profits except with the sanction of the Registrar, in order to avoid the depletion of capital by distribution of dividends on imaginary profits, and the amendment of Rule 13 of the Rules under Co-operative Societies Act, providing for the compulsory printing of the audit report with the replies of the Board of Management thereto, and the extracts of Notes of inspection of the institution by the Departmental officers, to enable the general body to understand the real condition of the working of the institution and also to invite healthy criticism calculated to its well being.

Government are pleased to approve of the suggestions of the Registrar who is requested to forward drafts of the rules to be framed and amended to give effect to the foregoing recommendations.

K Srinivasa Rao
Jr. Secretary to Government.

To - The Registrar of Co-operative Societies in Mysore.
RS.

SD

App. F VI G 10.

Government of His Highness the Maharaja of Mysore.

GENERAL AND REVENUE DEPARTMENTS

P.B. No. 6
encl 1
dt 27.7.38

G. O. No. D596/bs 109-37-6 DATED 22/7/38

May this be

i. printed ? Yes

ii. treated as a standing order ? Yes

iii. published in the Gazette English Part ?

iv. translated ?

v. placed at the disposal of the press ?

iv. published in the Gazette Kannada Part ?

} No 166/37

The Bangalore Central Cooperative Bank Ltd

Passes order on the report of the Registrar of Co-operative Societies re the practice of taking unrealised interest as profits and the printing of Annual reports along with annual report etc

Yes
26/7

PROCEEDINGS OF THE GOVERNMENT OF HIS HIGHNESS
THE MAHARAJA OF MYSORE.

Read :—

Correspondence ending with letter No.343 dated the 9th July 1938 from the Registrar of Co-operative Societies in Mysore, forwarding with his remarks the report of his inspection of the Bangalore Central Co-operative Bank, Ltd.,

Order No. LS 96/CS 107-37-6 Dated, Bangalore, 22nd July 1938.

The Registrar states that, in spite of the advice offered by the Department, the Bangalore Central Cooperative Bank Ltd has been continuing the practice of taking unrealised accrued interest as profits year after year even in cases where the recovery of even a portion of the principal is doubtful, resulting in the depletion of the capital of the Bank, that, the reports furnished by the Auditors are not printed along with the annual reports and balance sheet, as in other Co-operative institutions, and that, in spite of the provision in the byelaws for the consideration by the General Body, of the Notes of inspection by the Registrar at the annual general meeting, the notes are not printed along with the annual reports. He, therefore, requests the framing of a rule prohibiting the treating of accrued interest as profits, except with the sanction of the Registrar, in order to avoid the depletion of capital by distribution of dividends on imaginary profits, and the amendment of Rule 13 of the Rules under Co-operative Societies Act, providing for the compulsory printing of the audit report with the replies of the Board of Management thereto and the extracts of Notes of inspection of the institution by the Departmental officers, to enable the general body to understand the real condition of the working of the institution and also to invite healthy criticism calculated to its well being.

Government are pleased to approve of the suggestions of the Registrar who is requested to forward drafts of the rules to be framed and amended to give effect to the foregoing recommendations.

(Sd) T. N. Krishnamurthi
Secretary to Government,
L. S. G. Department.

To - The Registrar of Co-operative Societies in Mysore.

RS.

Press Copy

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

GENERAL AND REVENUE DEPARTMENTS.

G. O. No. D. 596—C. S. 107-37-6, dated 22nd July 1938.

The Bangalore Central Co-operative Bank, Limited.

Passes orders on the report of inspection of —— *re* the practice of taking unrealised interest as profits and the printing of the audit reports along with the annual reports.

READ—

Correspondence ending with letter No. 343, dated the 9th July 1938, from the Registrar of Co-operative Societies in Mysore, forwarding with his remarks the report of his inspection of the Bangalore Central Co-operative Bank, Limited.

ORDER No. D. 596—C. S. 107-37-6, DATED BANGALORE, THE 22ND JULY 1938.

The Registrar states that in spite of the advice offered by the department, the Bangalore Central Co-operative Bank, Limited, has been continuing the practice of taking unrealised accrued interest as profits year after year even in cases where the recovery of even a portion of the principal is doubtful, resulting in the depletion of the capital of the Bank, that the reports furnished by the Auditors are not printed along with the annual report and balance sheet as in other co-operative institutions and that, in spite of the provision in the bye-laws for the consideration by the general body of the notes of inspection by the Registrar at the annual general meeting, the notes are not printed along with the annual reports. He, therefore, requests the framing of a rule prohibiting the treating of accrued interest as profits, except with the sanction of the Registrar, in order to avoid the depletion of capital by distribution of dividends on imaginary profits, and the amendment of Rule 13 of the Rules under Co-operative Societies Act, providing for the compulsory printing of the audit report with the replies of the Board of Management thereto and the extracts of notes of inspection of the institution by the departmental officers, to enable the general body to understand the real condition of the working of the institution and also to invite healthy criticism calculated to its well-being.

2. Government are pleased to approve of the suggestions of the Registrar who is requested to forward drafts of the rules to be framed and amended to give effect to the foregoing recommendations.

P. H. KRISHNA RAO,
Secretary to Government,
Local Self-Government Department.

To—The Registrar of Co-operative Societies in Mysore.

Exd.—C. K.

WD 172—GPB—420—20-7-38